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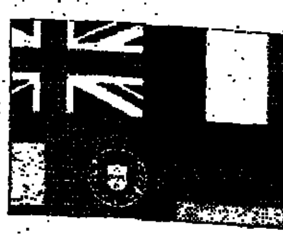
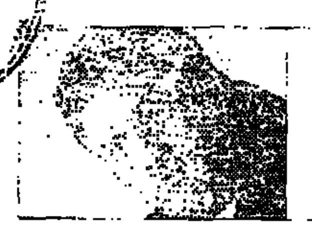


Free market
Opportunities after the currency crisis
Page 10

Shock to the system
Shareholders get tough in Germany
Page 7

Flying doctors
The disaster as media construct
Page 10



TOMORROW'S
Weekend FT
How Nashville changed its tune

FINANCIAL TIMES

Europe's Business Newspaper

FRIDAY AUGUST

Madrid agrees to cut spending plans by $720m

Spain's minority Socialist government, hoping to restore confidence in the country's recession-hit economy, yesterday announced it was cutting Pta100bn ($720m) in planned spending from the 1993 budget and promised "maximum" cuts in the 1994 budget, which is being drafted.

But the cuts fell well below what analysts and the markets had been hoping for. The recession, overspending and the tax shortfall have taken Spain way off course from the targets it set itself last year in a convergence plan designed to prepare the country for monetary union with its EC partners. Page 12; No reason to mourn, Page 10

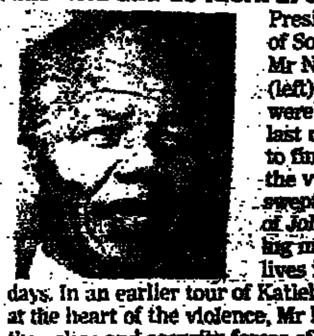
Volkswagen shares rose sharply in Frankfurt on hopes for a "positive" outcome from tonight's extraordinary meeting of the vehicle maker's supervisory board, where 20 non-executive directors were expected to re-state unconditional support for Ferdinand Piëch, group chairman, and José Ignacio López de Arriortúa, production director. Page 12

Dutch/Shell disclosed a £188m ($273m) charge for restructuring, much of it relating to its loss-making chemical business. The company's half-yearly results showed that other parts of the group performed strongly, producing a 20 per cent rise in profits in the second quarter in spite of a weak oil price and tight margins. Page 13; Details, Page 17; Lex, Page 12

Hochtief to build new Athens airport: Hochtief, one of Germany's largest construction companies, has won a DM4bn ($2.2bn) contract to build and run a new airport to serve as the regional hub for southeast Europe at Spata, 16 miles from Athens. Page 4

Générale des Eaux, the French diversified services group, is combining with Singapore Telecom and Yorkshire Water to invest about £200m ($298m) in a cable system for Yorkshire in further evidence of the appeal to overseas investors of UK cable TV and telephone franchises. Page 19

Mandela and de Klerk in urgent talks:



President FW de Klerk of South Africa and Mr Nelson Mandela (left), the ANC leader, were in urgent talks last night in an effort to find ways of curbing the violence that has swept townships east of Johannesburg, claiming more than 100 lives in the past five days. In an earlier tour of Katlehong, the township at the heart of the violence, Mr Mandela accused the police and security forces of not caring about black lives. "The lives of black people are cheap. It is as if flies had died," he said. Page 5

UK 1992 deficit below forecasts: Britain's current account deficit was nearly $3bn ($4.5bn) smaller in 1992 than the government originally estimated due to an unforeseen boost from the devalued pound. Page 6; Observer, Page 11

Whisky exports increase: Scotch whisky makers reported a continued decline in UK sales and renewed their appeal to the government to ease taxes on spirits. The value of exports to non-EC countries was 6 per cent higher at £556m ($826). Page 6; EC alcohol market, Page 3

Rolls-Royce is to close its subsidiary Deeside Titanium, Europe's only supplier of a metal essential to the aerospace industry. It will buy it instead from Japanese and US suppliers. Page 6

Philips, Dutch electronics company, reaped the benefits of strict controls on financial expenses and assets to produce a 48 per cent rise to Fl 117m ($61.5m) in net profits before extraordinary items in the second quarter. Page 13

Reed Elsevier, international publishing and information group, produced a headline pre-tax profit of £258m ($384m) for its first six months. Page 13; Background, Page 18; Lex, Page 12

Gunman kills guard in courthouse siege: A gunman killed a security guard and wounded two other people in a courthouse in Topeka, Kansas. He is believed to have taken hostages after exploding a car bomb near the building, which houses offices of the FBI.

Explosion kills up to 70 in China: Huge explosions ignited a string of warehouses in Shenzhen, south China. Reports said up to 70 had died, including many firemen, and 200 were injured. Hong Kong's fire units and hospitals were on standby after an unprecedented plea from China.

STOCK MARKET INDICES

FT-SE 100:	2943.4	(+2.1)
Yield	3.9	
FT-SE Eurotrack 100	1268.56	(+0.47)
FT-A All-Share	1461.06	(+0.2%)
Nikkei	20,425.64	(-71.91)
New York lunchtime		
Dow Jones Ind Ave	3548.42	(-3.64)
S&P Composite	447.87	(-0.67)

US LUNCHTIME RATES

Federal Funds:	3%
3-mo Treas Bills: Yld	3.106%
Long Bond	107⅜
Yield	6.52%

LONDON MONEY

3-mo interbank	5⅞%	(same)
Liffe long gilt future:	Sep 110⅜	(Sep 110⅞)

NORTH SEA OIL (Argus)

Brent 15-day (Sep)	$16.65	(16.75)

Gold

New York Comex (Aug)	$377.2	(399.2)
London	$388.25	(401.5)

STERLING

New York lunchtime:		
$	1.4945	
London:		
$	1.491	(1.501)
DM	2.56	(2.5675)
FFr	8.88	(8.9)
SFr	2.2525	(2.2625)
Y	155.5	(157.25)
£ Index	81.5	(81.7)

DOLLAR

New York lunchtime:		
DM	1.7115	
FFr	5.94	
SFr	1.5075	
Y	104.3	
London:		
DM	1.7165	(1.7105)
FFr	5.955	(5.93)
SFr	1.5115	(1.5065)
Y	104.25	(104.8)
$ Index	65.7	(same)

Tokyo close Y 104.75

Austria	Sch30	Germany	DM3.30	Malta	Lm0.60	S.Arabia	SR11
Bahrain	Din1.250	Greece	Dr300	Morocco	MDh13	Singapore	S$4.10
Belgium	BFr65	Hungary	Ft172	Neth	Fl 3.75	Slovak Rp	KSL45
Bulgaria	Lw25.00	Iceland	IKr215	Nigeria	Naira45	Slovenia	SLT220
Croatia	HRD5700	India	Rs40	Norway	NKr16.00	South Africa	R12.00
Cyprus	C£1.00	Israel	Shk5.90	Oman	OR1.50	Spain	Pta210
Czech Rp	Kcs45	Italy	L2700	Pakistan	Rs35	Sweden	SKr15
Denmark	DKr15	Jordan	JD1.50	Philippines	Pso45	Switz	SFr3.20
Egypt	E£4.50	Kuwait	Fils.600	Poland	Zl 22,000	Syria	S£50.00
Finland	FM12	Lebanon	US$1.25	Portugal	Es215	Tunisia	Din1.250
France	FFr9.00	Lux	LFr55	Qatar	QR12.00	Turkey	L8000
						UAE	Dh11.00

Pakistan seeks loan from IMF to bolster reserves

By Farhan Bokhari in Islamabad and Alexander Nicoll in London

PAKISTAN is negotiating a short-term loan from the International Monetary Fund after suffering a sharp fall in foreign exchange reserves, believed to have left it with the equivalent of about two weeks' import payments, senior officials in Islamabad said yesterday.

The reserves sank amid the turmoil of the political power struggle which ended with the resignations on July 18 of President Ghulam Ishaq Khan and Mr Nawaz Sharif, prime minister.

Official figures are not available, but commercial bankers in Karachi estimate that reserves have risen from their lowest level – which has not been disclosed – since the appointment of an interim government. They now stand at around $350m, compared with $1bn a year ago.

An IMF mission is in Islamabad for negotiations on new credits with the government of Mr Moeen Qureshi, the prime minister and former senior World Bank official who is due to hold office until elections in two months' time.

Mr Qureshi is preparing a comprehensive package of economic reforms intended to reduce government spending, increase revenues and boost exports.

The government wants the economic programme to be supported by the IMF, which would initially arrange short-term financing of about $200m to meet immediate balance of payments needs.

This would later be replaced and supplemented by a $1.2bn IMF loan over three years, from its longer-term facilities.

Final agreement on the larger credit would have to await discussions with the incoming government.

Mr Qureshi, who has a relatively free hand because his long absence from Pakistan as an international financial official has left him free of domestic political ties, is acting rapidly to deal with pressing economic difficulties.

Mr Babar Ali, a leading industrialist appointed finance minister, said: "Our interim government has the unique opportunity of demonstrating to them [politicians] how things could be done, because we have no legislature to go back to, we have no lobby to satisfy."

The government has quickly sought to boost exports with a 9 per cent devaluation of the rupee. Mr Qureshi has also set up a committee of senior officials to make recommendations for cuts in public spending.

Pakistan has repeatedly missed targets for reductions in the budget deficit.

Businessmen and economists expect reforms to include a review of gas, electricity and petroleum prices, to raise more revenue. Reforms of the tax system are also expected.

Senior Pakistani officials said the current round of negotiations with the IMF is expected to conclude over the weekend with an understanding on a mix of credit from different facilities.

Qureshi's campaign, Page 5

French, Danes and Belgians keep cost of borrowing high

Wider exchange rate mechanism bands fail to trigger expected interest rate cuts

By John Ridding in Paris and James Blitz in London

THE Bank of France yesterday continued to keep its short-term interest rates high to support the franc in the reformed European exchange rate mechanism, and signs that recent intervention in currency markets had heavily depleted its foreign exchange reserves.

While the French central bank kept its intervention rate, at which it lends to commercial banks, unchanged at 6.75 per cent, it also ensured that the cost of borrowing French francs for one day hovered around 12 per cent by deciding not to cut short-term rates.

Figures released yesterday by the central bank indicate French foreign-currency reserves fell by more than FFr100bn ($17bn) in the week to the July 29 – one day before the franc fell to its old floor in the ERM prior to the stretching of the system's limits earlier this week.

The low level of French reserves may be one reason why the government is maintaining relatively high interest rates to support the currency, in spite of expectations that widening the ERM's currency margins would allow a quick easing in borrowing conditions to help economic recovery.

France's policy yesterday coincided with that of Belgium and Denmark, both of whose currencies have traditionally been closely tied to the D-Mark. The two countries' central banks continued to ensure yesterday that their money markets remained fairly illiquid with the cost of borrowing their currencies well into double figures for most of the day.

Six economics professors at the Massachusetts Institute of Technology who called last week for the end of the European exchange rate mechanism say the decision to widen the currency fluctuation bands to 15 per cent was "sound and pragmatic".

No reason to mourn, Page 10

The approach of all three countries appears to be to keep their currencies as close as possible to their old ERM floors as a way of maintaining a close D-Mark tie and underlining some semblance of unity on pan-European currency co-operation.

The heavy selling last week of the French franc and other weak currencies in the system triggered the institution on Monday of 15 per cent bands against the D-Mark for all currencies in the system apart from the guilder. These margins replaced the 2.25 per cent bands for all the ERM currencies except the Spanish peseta and Portuguese escudo which had 6 per cent bands.

Some economists in Paris and London said the large fall in French reserves – a consequence of last week's large buying by European central banks of weak currencies for D-Marks – would have left the country's net reserves at less than FFr15bn.

Others suggested that France's reserves could now technically be negative, because the figures would not take into account more sophisticated intervention operations involving swaps and forward contracts in the currency markets.

French economists said the low level of reserves meant the French authorities had only the interest rate weapon as a means of supporting the franc's exchange rate against the D-Mark.

In spite of the high interest rate policy, the franc fell back inside the ERM yesterday following the announcement on reserves. After opening in London at FFr3.4625 against the D-Mark, the French currency fell nearly 2 centimes at one stage to a low of FFr3.4810. It later recovered to close at FFr3.469, down roughly one third of a centime.

The Danish krone and Belgian franc also weakened. The krone closed at about DKr3.9498 to the D-Mark, having been at DKr3.9225 at the start of the day. The Belgian franc closed at BFr21.11, just below its old ERM floor of BFr21.09.

Many economists said they still expected the French government to reduce interest rates, but at a cautious pace.

Letters, Page 10
Set for another charge, Page 13
Government bonds, Page 16
Currencies, Page 34

Haggling wins more time for Japan's LDP

By Robert Thomson in Tokyo

JAPAN'S Liberal Democratic party won a stay of execution yesterday through skilled haggling over the procedural technicalities of a parliamentary session that is to select a new prime minister and install a cabinet.

Much of the day was spent "discussing how to discuss our disputes", one LDP deputy explained. Japan ended the day with a prime minister, Mr Kiichi Miyazawa, but without a cabinet, which formally resigned in expectation of a stint in opposition.

For the first time since 1955, the LDP is on the verge of losing power, as it is outnumbered 228 to 260 in the lower house by the seven-party coalition. The parties range from the left-leaning Social Democratic party through several conservative parties to the Komeito, or Clean Government party, which is Japan's version of the religious right.

In Kumamoto, the home town of Mr Morihiro Hosokawa, the coalition's prime minister designate, revellers waiting with matches poised to light ceremonial lanterns were left with nothing to celebrate, as MPs from the government and opposition met eight times without a settlement.

The LDP found fault with the coalition's choice of lower house speaker and the planned length of the parliamentary session, and demanded that Mr Hosokawa make a policy speech after his election to prime minister.

Mr Miyazawa proved a better prophet than Mr Hosokawa of yesterday's events. After his cabinet resigned around him, Mr Miyazawa said "I feel nothing special today", while Mr Hoso-

Continued on Page 12

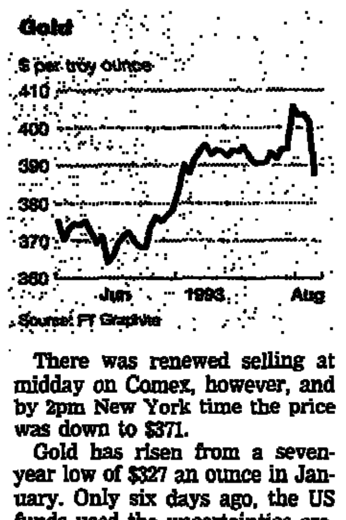
Reuter

Morihiro Hosokawa: still prime minister in waiting after government and opposition MPs met eight times without reaching a settlement

Gold price plummets in US as bullish mood evaporates

By Kenneth Gooding, Mining Correspondent

GOLD lost 2 per cent of its value in five seconds of hectic trading on the New York Commodity Exchange yesterday, falling from about $393 a troy ounce to $384.



The previous bullish sentiment evaporated after reports that the Bank of China had sold about 6 tonnes – or 193,000 ounces – in London early yesterday. There was also selling by Arab and Swiss syndicates which made the market very nervous.

Nervousness turned to a stampede as soon as trading started on Comex in New York, as some investment funds sold as much gold as fast as they could, triggering more selling by funds which use computer programmes to limit their losses.

Gold's sudden and sharp fall dragged down other precious metals, as well as sending gold company shares plummeting.

Gold steadied in the afternoon and closed in London at $388.25 an ounce, down $13.25 from Wednesday's close.

There was renewed selling at midday on Comex, however, and by 2pm New York time the price was down to $371.

Gold has risen from a seven-year low of $327 an ounce in January. Only six days ago, the US funds used the uncertainties created by what appeared to be the virtual collapse of Europe's exchange rate mechanism to push the price through the $400 an ounce level.

Some analysts suggested yesterday's fall was no more than a healthy correction after a speedy price rise. If gold could climb back to $395, the bull market would remain intact, they argued.

Others were more cautious and pointed out that the US investment fund buying which had propelled gold upward might be reversed.

Mr Ted Arnold, metals specialist at Merrill Lynch financial services group, said: "On the basis of underlying physical demand, the price should have topped out long ago and fallen back by at least $50 an ounce."

He pointed to a "collapse" in demand for physical gold in the crucially important Asian and Middle Eastern markets which accompanied the build-up of options trading activity on Comex and added: "We remain convinced that the huge gap between physical offtake and the paper market can't last forever. One day paper market prices will have to fall and fall sharply."

Lex, Page 12
Government bonds, Page 16
Commodities, Page 26

CONTENTS

News
European News 2,3
International News 5
American News 4
World Trade News 4
UK News 6
People 8
Weather 12
Lex 12
Features
Leader Page 11
Letters 10
Management 7
Observer 11
Technology 20
Property Market 7
Arts 9
TV and Radio 9
Crossword 27
Companies
UK 17-19
Intl. Cap Mkts 16
Intl. Companies 14,15
Markets
Commodities 26
FT Actuaries 27
FT World Actuaries 38
Foreign Exchanges 34
Gold Markets 26
Equity Options 16
Intl. Bond Service 16
Managed Funds 30-34
Money Markets 34
Recent Issues 16
Share Information 28,29
Traditional Options 16
London SE 27
Wall St/Bourses 35,38

 No 32,133 Week No 31 LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

Mediators suspend Geneva peace talks

By Laura Silber in Geneva

INTERNATIONAL mediators yesterday suspended peace talks on Bosnia for three days, apparently to step up pressure on Bosnia's Moslem President Alija Izetbegovic and his divided delegation.

They postponed the Geneva talks even after Bosnian Serb leader Radovan Karadzic agreed to withdraw Serb forces from strategic heights overlooking Sarajevo and to open two routes into the besieged city.

"We agreed to open the city of Sarajevo as soon as possible," Mr Karadzic told reporters in Pale, the mountain stronghold above Sarajevo.

Lord Owen and Mr Thorvald Stoltenberg, the peace envoys, last night said they would invite Mr Karadzic and his Croat counterpart, Mr Mate Boban, to attend talks on Monday, said a spokesman.

The envoys are apparently reluctant to resume talks if Mr Izetbegovic and his country's multi-ethnic presidency remain split. They seem to be seeking assurance that the parties press forward with talks on the republic's ethnic partition.

At the same time, they hoped to wait until Serb forces withdrew from key heights, said Bosnian officials. Diplomats believe that Mr Izetbegovic is holding out in the hopes of Western intervention against Serb targets besieging Sarajevo.

The chance for reviving the talks, stalled for four days, were raised when Mr Haris Silajdzic, Bosnia's foreign minister, said his president would return to the negotiating table if Serb forces withdrew as agreed from the key heights above Sarajevo.

At the same time, it appeared unlikely that General Ratko Mladic, Bosnian Serb commander, would immediately withdraw and hand over control of the strategic points on mounts Bjelasnica and Igman to United Nations peace keepers. Serb leaders said two routes running through Serb-held territory would be opened for use by UN military, relief and commercial traffic.

One of the proposed routes would run north to Moslem-held Zenica, central Bosnia, and the second would route run southwest to Mostar and the Adriatic Sea. But it would operate at the mercy of Moslem adversaries, because it cuts through territory held by Serbs and Croats.

Mr Momir Bulatovic, president of Montenegro, which with Serbia is under punitive sanctions, yesterday lashed out at the Serb military advance round Sarajevo. In unusually sharp criticism, he called the action of "certain parts of the military" as totally unnecessary and incomprehensible".

Meanwhile, Islamic states called for Nato air strikes against Bosnian Serbs to relieve the siege of Sarajevo. Mr Abdul Satar, foreign minister of Pakistan, lashed out western moves to "reward the agressor".

In a bid to heal differences with his Croat foes, Mr Izetbegovic has proposed a joint Moslem-Croat republic within a new Bosnian state but Croatia had so far rejected the idea.

Allies remain hesitant over air strikes

SENIOR NATO commanders met at the allied headquarters in Belgium yesterday to draw up logistical plans for possible air strikes to be presented to a meeting of the organisation's military committee today.

But as the diplomatic wrangling continued between the US and UN about who should control the air strikes and what their objective should be, it was still unclear whether the allies would fulfil their threats to act against the Serb forces encircling Sarajevo.

An official at the British Ministry of Defence said: "As far as we are concerned, we are ready to go in if the order is given.

"But to start military action you need a clear military objective and a clear political aim. The problem is we don't have either yet."

Under the terms of the compromise agreement hammered out after 13 hours of acrimonious discussions in Brussels three days ago, Nato has threatened to launch air strikes for two separate purposes: first, to defend UN troops in Bosnia if they come under attack; and second, to break the Serbian "stranglehold" on Sarajevo.

Under pressure from the European allies, who are determined to avoid being sucked into further military conflict, Nato diplomats yesterday stressed they would seek UN authority to bomb Bosnian Serbs if they block aid convoys, but would not interfere in battles like those taking place in the mountains around Sarajevo.

"We are essentially just fulfilling the UN humanitarian mandate. We have no other purpose there," a Nato official in Brussels yesterday said.

But recent statements from the White House have prompted some European observers to fear that the US is considering an expanded military aim for the air strikes: to attack key Serbian positions outside Sarajevo or even target specific commanders and buildings.

Considerable disagreement between the US and the European allies persists even about what the definitions of self-defence and the UN's humanitarian mission should be.

These stem in part from the different dispositions (if any) of the troops of the western allies.

The Canadians, with ground troops in Srebrenica surrounded by Serbian forces,

It is still unclear if the allies will fulfil threats to act against the Serbs encircling Sarajevo, reports Gillian Tett

were the most vociferous this week in arguing against Washington proposals for air strikes. The French, with troops in Sarajevo and recently under Serb fire, have also expressed fears that air strikes other than those launched to fend off any attacks could endanger forces on the ground.

There are also doubts in Europe about the effectiveness of air power on its own. A French military expert yesterday said that although France had agreed to the bombing of Serbian positions because the fall of Sarajevo was at stake, it had doubts about what it will really achieve.

He added that France's position was based on a desire to show support for Moslems – and on deep uncertainty, shared by most of its allies, over what to do should Sarajevo fall.

Britain's troops are primarily located in Moslem and Croat areas, but Mr Malcolm Rifkind, British defence secretary, was yesterday at pains to stress that the protection of the troops remained at the forefront of British policy.

The allies' caution has been accompanied by anger that the American proposals for air strikes have been made without any commitment for American ground troops in Bosnia.

Echoing fears that other military officials have expressed, Dr Jonathan Eyal of the Royal United Services Institute in London yesterday said: "The fear is that the UN is merely acting as a fig leaf for the Americans. They will go in and then get out again like they did in Somalia, leaving the UN and the allies picking up the pieces."

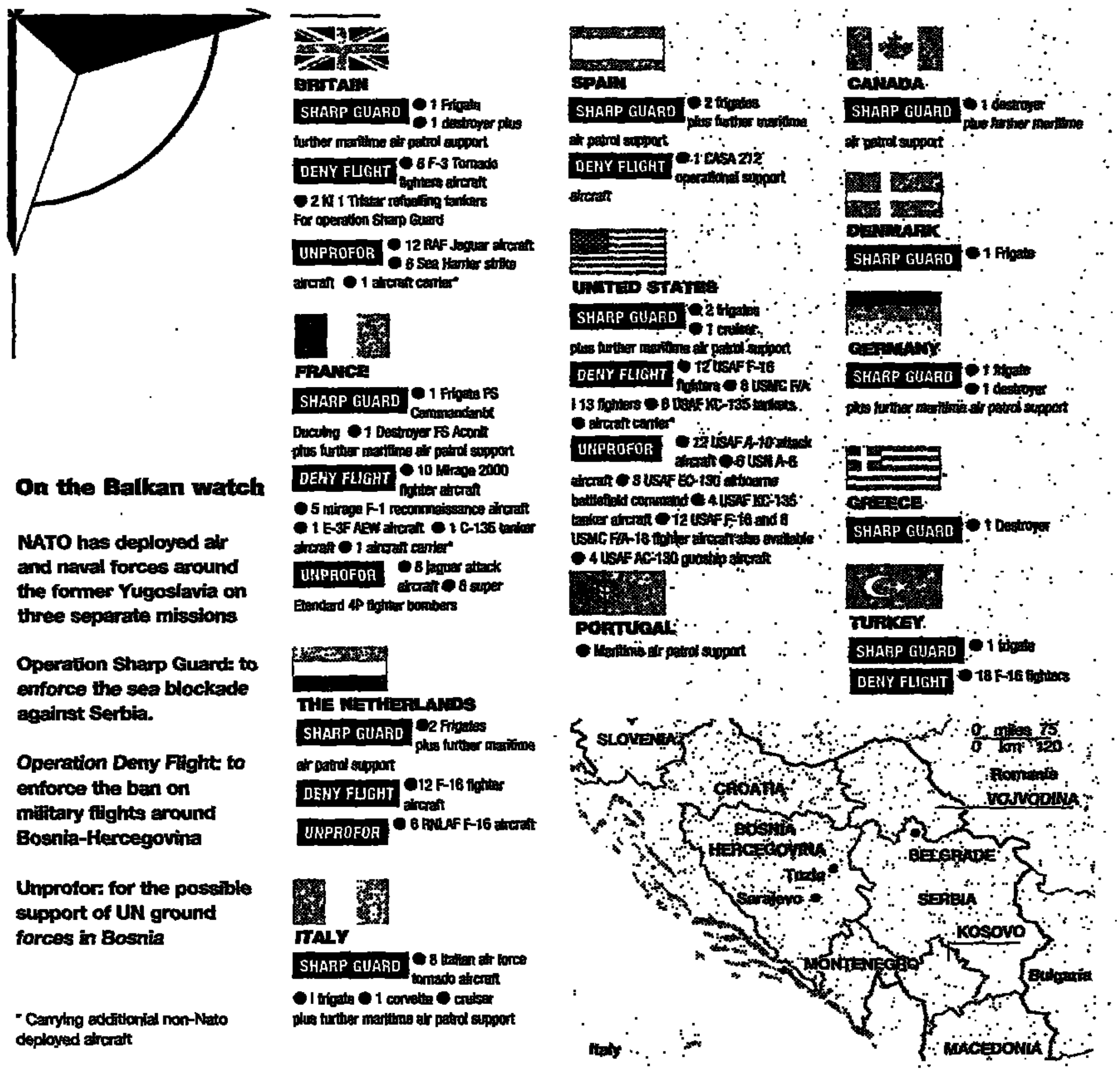
Against this background, Mr Boutros Boutros Ghali, UN secretary general, has reiterated that he wishes to retain full control of any action in Bosnia.

UN officials, together with the French, have argued that the operations should remain under the control of the French commander of the UN forces in the former Yugoslavia, General Jean Cot.

The Americans, by contrast, are insisting that air strikes should be co-ordinated by Admiral Jeremy Boorda, commander of the Allied Forces Southern Europe.

Nato officials yesterday insisted that although they were prepared to act under a United Nations brief, Nato was the only institution with sufficient military experience to run the operations.

"The UN is a political and cultural institution. It does not have the experience to run a military operation," said a Nato official in Naples.



Bosnian Serbs ready for the final assault

General's campaign has been a mixture of brilliance and brutality, writes Laura Silber

GENERAL Ratko Mladic, the Bosnian Serb commander whose forces have this week been tightening their siege of Sarajevo, appears to be indulging his uniquely macabre sense of humour.

In flagrant defiance of the UN ban on flights over Bosnia, the general tours Serb positions in the hills around the battered capital in a Gazelle helicopter.

Swaggering in his peaked world war one cap, he thumbs his nose at the western countries' talk of air strikes against his forces, and boasts about how he has saved up Sarajevo for last.

Gen Mladic, who has masterminded the Serbs' campaign to carve an "ethnically cleansed" mini-state out of Bosnia with a mixture of brilliance and brutality, has consolidated control over strategic heights around the Bosnian capital, with its 380,000 trapped inhabitants.

Serb guns, tanks, and soldiers have now cut off the last route used by the mainly Moslem Bosnian army to smuggle ammunition, weapons and supplies to their besieged city.

What, it must be asked, can he and his fellow Bosnian Serb leaders want?

After all, they already control 72 per cent of Bosnian territory, and the mainly Moslem Bosnian government of President Alija Izetbegovic has all but admitted defeat by bowing to the republic's ethnic partition.

Gen Mladic has never been ambiguous about his aim. He has publicly advocated the "total military defeat of the Moslems" as the only means of achieving peace in Bosnia. If achieving that means securing the fall of Sarajevo, it seems, then so be it. In that sense, the siege of the capital is the centrepiece of Gen Mladic's military strategy.

The men who claim to be his political masters, however, have sometimes given voice to different priorities.

Serbian President Slobodan Milosevic, in particular, appears still to be in a hurry to sign a peace agreement in the belief that it will prompt the easing of sanctions on what remains of Yugoslavia.

In turn, he may be applying political pressure on Mr Radovan Karadzic, the Bosnian Serbs' political leader, to appear more pliant in the Geneva peace negotiations.

Hence, perhaps, Mr Karadzic's announcement yesterday ordering Serb forces to withdraw from key heights overlooking Sarajevo and open two roads leading to the city – with the stated aim of forcing Mr Izetbegovic to abandon his boycott of the talks.

Gen Mladic's reaction, at least for public consumption, was derision.

He scoffed to UN officers: "Once the Serb flag is flying, we never take it down. The UN flag can fly alongside but below the Serb flag."

Gen Mladic has never been ambiguous about his aim of total military defeat of the Moslems

In reality, it is unlikely that Gen Mladic is totally at odds with Mr Karadzic. Instead, the apparent split between them on this as on previous occasions may be a convenient ruse aimed at sowing confusion among the Serbs' western adversaries. Mr Karadzic himself has made no secret of the fact that he, too, has designs on Sarajevo itself.

To back up their claims to at least part of the capital, Serb officials have been circulating fictitious maps purporting to show that Serbs comprised a majority in many city districts. The international mediators, Lord Owen and Mr Thorvald Stoltenberg, appear to have been persuaded that Serbs have an historical claim to part of Sarajevo.

Before the war, however, according to pre-war statistics collated by municipal authorities, Moslems represented the biggest group in each municipality.

But there are differences of emphasis at least between the Gen Mladic and Mr Karadzic.

Gen Mladic is said to have been irked by Mr Karadzic's pledge in the Geneva negotiations to hand over territory to the Moslems. According to diplomats, Mr Karadzic has agreed that the proposed Moslem republic should cover 30 per cent of Bosnian territory, as insisted on by the EC and UN mediators.

Russian private bank to get $15m loan from IFC

By Leyla Boulton in Moscow

THE International Finance Corporation, the World Bank's private investment arm, yesterday granted a $15m loan to a private bank in the first official attempt by the West to stimulate small and medium-sized business in Russia.

The International Moscow Bank, a joint venture between Russian and Western shareholders, will make medium- and long-term loans with the money, which is to be repaid to the IFC by the year 2000.

The bank has lent less than $100m to finance projects within Russia despite having $3bn on deposit – a striking indication of the country's shortage of investment capital.

The bank says it cannot lend more than the equivalent of its shareholders' funds because most of its funds are short-term deposits belonging to Russian enterprises. The wider obstacles to medium- and long-term lending are lack of confidence in Russia's investment climate and high inflation which makes long-term rouble loans virtually impossible.

Mr Daniel Adams, the IFC's vice-president for capital markets, says the bank will be a catalyst for loans by other institutions, even though external lending could never compensate for the billions of dollars potentially available inside the country.

Mr John Fitzgerald, a member of the IMB board, said there were a lot of potentially lucrative projects in Russia despite a shortage of tools for assessing projects.

The IMB recently lent $800,000 to help a small Russian company buy equipment for the manufacture of caesin, a cheese-making ingredient with export potential. The three-year loan was repaid within 15 months.

Projects eligible for the $15m fund must show a similar capacity to generate foreign exchange.

● The Russian government yesterday signed an Ecu145.3m ($161m) loan with the European Bank for Reconstruction and Development to boost oil production in western Siberia, according to Itar-Tass news agency.

The 15-year loan to the Purneftegas oil company, which will re-equip and revive idle oil-wells and exploit new ones, carries a three-year grace period and an interest rate of 4.5 per cent. Energy minister Yuri Shafranik, said the loan would help build investor confidence. Mr Mario Sarcinelli, EBRD vice-president, believes the project will be a model for other banks.

Drop in asylum seekers

By Ariane Genillard in Bonn

THE NUMBER of foreigners seeking asylum in Germany fell by a third in July, the first full month since tough laws were introduced.

A total of 20,658 applied for asylum, 33.7 per cent fewer than the previous month. The sharpest reductions came among nationals from Romania and Bulgaria. Fewer applications were also recorded from former Yugoslav republics other than Bosnia.

The fall is largely attributed to tougher asylum procedures which came in force at the beginning of July. "These number prove that the new law works," said Mr Erwin Teufel, premier of Baden-Württemberg and a member of Chancellor Helmut Kohl's Christian Democratic Union.

But Mr Edmund Stoiber, premier of Bavaria, warned that problems remained despite a drop in the number of applications. Mr Stoiber and other conservative politicians have voiced concern that more would-be asylum seekers are instead becoming illegal immigrants.

Under the stricter law, asylum seekers face new, faster procedures if they come from a "safe country of origin" which figures on a list adopted by parliament. Authorities now have to decide on their case within 19 days instead of the average of 12 months it took previously.

Moreover, border guards can turn back asylum seekers coming over the German border if their case is deemed "manifestedly unfounded". The federal border protection office said 1,100 asylum seekers had been turned back in July at the German-Polish border on these grounds.

The fall in the number of asylum seekers came as Mr Klaus Kinkel, the Free Democrat foreign minister, called on Germany to tackle the larger problem of adopting an immigration policy.

The Free Democrats and opposition Social Democrats have long argued that a solution to the growing number of asylum seekers, which peaked at 440,000 last year, should be followed by a policy defining the status of foreigners coming to work in the country.

Virgin steps up Sunday campaign

By John Ridding in Paris and Michael Skapinker in London

VIRGIN, the British music and book retailer, yesterday raised the stakes in its battle to open its French megastores on Sundays by threatening to cancel its plans to expand in France.

"Our expansion plans, which would generate 1,000 jobs in five years through the opening of 25 new stores, cannot go ahead as it would be impossible to draw up a reliable budget estimate," the group said. It estimates that its megastore on the Champs Elysées, its main French outlet, generates 20 per cent of its sales on Sundays.

Yesterday's statement is the latest volley in the company's battle over Sunday trading in France. The battle has split the French government and set Virgin's French employees against the country's trade unions, which oppose reform of the 1906 Sunday trading law.

The costs facing Virgin have also risen sharply. Earlier this week, a Paris court raised sharply, from FFr250,000 to FFr4m (£450,000), the fines that will be imposed on Virgin if it ignores the ban on Sunday trading.

The company has opened its outlets for the past four Sundays in defiance of a court ban and is appealing against the fines.

The case has split the French government. Mr Jacques Toubon, the culture minister, said yesterday that Virgin should be granted an exception to the Sunday trading ban because it provides access to cultural goods. But Mr Michel Giraud, the labour minister, caught between a desire to safeguard jobs and the court ruling, urged Virgin to obey the law.

Economic woes mount for Çiller

By John Murray Brown in Istanbul

TURKEY'S highest inflation figures in 15 months, announced this week, could hardly have come at a worse time for Mrs Tansu Çiller, the new prime minister, as she prepares to launch her promised economic reforms.

Coupled with the recent resignations of three of her most senior bureaucrats, including Central Bank governor Ruşdu Saraçoglu, a pivotal figure in Turkey's economic progress in the 1980s, Mrs Çiller needs quick results if she is to survive the expected challenge to her leadership in the delegate convention of the True Path party set for November.

The Çiller economic programme envisages acceleration of state sell-offs, reform of farm support policies, and tax changes to close the budget gap. She promises more social spending.

Diplomats, however, say she faces an uneviable policy dilemma: whether to go for bold reform now and risk confronting conservatives in her party and other vested interests, or sit tight until after the party convention.

Her job is not made easier by annual inflation which rose to 73 per cent in July, a month in which it would normally decline because of seasonal factors such as cheaper food.

The government's need to finance the deficit, projected at around 15 per cent of GDP for 1993, continues to sap the private sector by fuelling high real interest rates and crowding out other borrowers. Mrs Çiller has had some success in reducing short-term domestic borrowing, but in so doing has been forced to approach the Central Bank with budgetary demands, thus fuelling monetary expansion.

In Ankara last month, Mr Wilfried Thalwitz, deputy president of the World Bank, applauded the government's plans.

The bank says it is prepared to help finance insurance and unemployment schemes, without which the closure and labour redundancies related with privatisation will would be politically difficult.

But already Mrs Çiller is confronted with public sector opposition to her wage restraint policy. Big union protests have taken place almost daily for the past two weeks in Ankara and other cities.Among the state sector unions, Mrs Çiller's radical proposals for privatisation are likely to get an even cooler reception.

The trade deficit is worsening, and for the first time the current account looks under strain despite increased flows from tourism, Turkey's largest single foreign exchange earner. Mrs Çiller believes that the lira is still overvalued. However, a senior adviser this week denied rumours that a devaluation was in the offing.

More worrying have been the signs of discontent within the bureaucracy over Mrs Çiller's anti-inflation policy, particularly her attempts to cut high interest rates. She still contends this the main cause of Turkey's chronically high inflation.

On this point, Mr Saraçoglu was uncharacteristically blunt in his criticism of the prime minister.

His resignation, followed by the departure of state planning chief Ilhan Kesici, reflects the opposition of many government economists.

No replacement has yet been found – the leading candidate, Mr Mahfi Eglimez, a former Treasury official, was reported to have declined the offer.

Unlike President Suleyman Demirel, whose strategy was to "talk up" the economic prospects, Mrs Çiller has been apocalyptic in her warnings about the consequences of failure. Many economists believe her best chance lies in using the dismal inflation figures to argue for radical reform.

Tansu Çiller: 73% inflation adds to economic problems

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NEWS: EUROPE

Swedish rates cut to 10-year low

By Hugh Carnegy in Stockholm

SWEDEN, engulfed by last year's ERM crisis, yesterday took advantage of its position on the sidelines of the latest upheaval by announcing a cut in interest rates to the lowest levels for more than 10 years, to encourage recovery from the country's deepest recession since 1945.

A strengthening of the Swedish krona since the weekend allowed the Riksbank, the central bank, the scope to cut its key marginal rate from 8.5 to 8.25 per cent, despite the bank's official view that it would like to see a further rise in the currency's value.

Yesterday, the krona stood at SKr4.68 against the D-Mark, up from near SKr4.75 at the end of last week.

The contrast with the events of last autumn was stark. Then, overnight lending rates were pushed up to 500 per cent in a vain bid to keep the krona pegged to the ERM as Sweden prepared to join the European Community. Since then, the marginal rate has been steadily brought down from the level of 12.5 per cent last November.

The benefits of looser monetary policy and increased export competitivity are the chief hopes for a return to growth next year after three successive years of contraction in the economy.

Mr Thomas Franzen, Riksbank deputy governor, said there was no early intention to reinstate a pegged exchange rate.

Finland is in a similar position. It recently revised downwards its forecasts for the economy, predicting a 2 per cent fall in GDP this year and only "minor" growth next year, rather than the 3.5 per cent growth it had foreseen.

In both countries, unemployment is expected to go on rising into next year.

Summer scrutiny for Paris bankers keen to advise

By John Ridding in Paris

THE MERCHANT banker confessed: "I haven't been this nervous since my university exams." Then he set off for an appointment at the French Finance Ministry on the bank of the River Seine in eastern Paris.

His anxiety, shared by about 100 counterparts in international corporate finance over the past two days, was caused by the prospect of a rigorous oral examination by a panel of five senior French bureaucrats and financial experts.

The aim is for one's merchant bank to be chosen for an advisory role in the French government's ambitious privatisation campaign, to be launched in the autumn with the sale of the state's shareholdings in Rhône Poulenc, the chemicals group, and Banque Nationale de Paris. The challenge is to survive the peculiarly French selection.

"It isn't easy," said one member of a hopeful corporate finance team. "They can ask you pretty much anything – what you think cash flow will be in two years' time, who founded the company and when, or what effects the widening of European exchange rate bands will have on profit margins."

They may not feel it but the visitors to the treasury over the past few days are the lucky ones, having already passed a written examination, which reduced the number of merchant bank applications from more than 60 to fewer than 20, and which laid out the claimants' case for selection. Written submissions were limited to 50 pages – 20 of text and 30 of footnotes – after the previous privatisation programme, when a series of massive tomes was delivered to the treasury.

As the total has been shrunk so the the competition has been intensified. The selection panel is expected to name only a few winners.

The rewards, initially at least, are not expected to be big. "The treasury doesn't pay much for an adviser," said one member of a five-man team seeking selection, "but there is a lot of prestige attached."

Companies selected as advisers, and even those that come close, also stand an excellent chance of being picked for the underwriting syndicates which sell the privatisation share issues. There, the financial rewards become very big.

"You can count on a 2-3 per cent commission on your share of the sale," said one banker. With the government's 73 per cent of BNP worth up to FFr29bn (£3.3bn), and its 43 per cent share of Rhône Poulenc valued at FFr12bn-FFr15bn, that could mean substantial returns.

The treasury panel is expected to announce the winners within a week. Meanwhile, Paris will be home to a lot of nervous merchant bankers this weekend.

French bank privatisation upsets the secret liaisons

French Privatisation

WHEN Banque Nationale de Paris, the bastion of France's state-controlled banks, is privatised this autumn, the sale will mark the start of a new era, not only for the bank, but for the French government's relationship with the banking industry.

For decades the French government has dominated the banking sector mainly by its ownership of the leading commercial banks – BNP, Société Générale and Crédit Lyonnais, known as *les trois vieilles*, the "three old ladies". The state has not only had direct influence over those banks – choosing their chairmen and scrutinising strategy – but through them has indirectly influenced developments across the industry.

Société Générale was sold to the private sector by the last centre-right administration in 1987. BNP will be the second of the three to be privatised, with Crédit Lyonnais scheduled for sale before the 1995 presidential elections. The sale of two, and eventually all three, of the "old ladies" will dramatically diminish government influence over the banking scene.

One of the most significant changes will be in the selection of senior personnel. The government has traditionally appointed the chairmen of the state-controlled banks. The candidates were invariably *fonctionnaires*, or civil servants. The chairmen – Mr Michel Pébereau at BNP, MrMarc Viénot at Société Générale and Mr Jean-Yves Haberer at Crédit Lyonnais – have all worked at the treasury and ministers' private offices.

The choice of chairmen is intensely political. A change of government, or the end of the chairmen's three-year contracts, triggers a game of musical chairs. The new government has already replaced Mr René Thomas as chairman of BNP with Mr Pébereau, who worked for conservative ministers earlier in his career. Some financiers suspect the next victim may be Mr Haberer, who was fired from Paribas by the conservatives in 1986 and appointed to Crédit Lyonnais by the Socialists.

After privatisation the banks' chairmen will be chosen

The government has dominated banking with its ownership of 'les trois vieilles', writes **Alice Rawsthorn**

by shareholders as at any other private company. This should ensure that the big French banks are no longer prey to sudden shifts in strategy. It should also make their senior executives less vulnerable to political pressure over corporate strategy and their role in economic policy.

The precise nature of the relationship between the French government and the public sector banks is shrouded in secrecy. The banks claim they are independent. Other financiers disagree. "France is a country where banks have traditionally been tools of the state," says one Paris banker. "There are instances when ministers shout instructions down the telephone, but mostly they don't need to. The government puts its own people in charge, who know exactly what it wants them to do."

One of the most sensitive areas is interest rates, specifically the degree to which the government uses the state banks to control base rates. In recent months, when the government has been anxious to keep rates low for fear of aggravating the recession, BNP and Crédit Lyonnais have led the rate reductions, whereas the private banks, notably Société Générale, have been the first to raise them. The privatisation programme, which coincides with the independence of the Bank of France, should mark the end of this practice.

It should also be more difficult for the government to use the banks as tools in industrial policy. The state banks have inherited large stakes in other public sector companies as part of the regular reshuffles of the government's industrial holdings.

However the tradition of the "industrial bank" is so well-entrenched in France that, even if the banks stop taking stakes in public sector companies, they are likely to continue to invest in the private sector as Société Générale has done.

Similarly it will take a long time for the French banks to lose the *fonctionnaire* culture left by years of government control. The state-appointed chairmen have filled junior positions at the banks with fellow civil servants. Analysts suspect this public sector ethos has contributed to the French banks' cautious approach to international expansion and to their bureaucratic management structures.

Short time at carmaker

PEUGEOT-CITROEN is to extend short-time production at its factories at Mulhouse in eastern France, to adapt to declining demand in the French automobile market, the company said yesterday, writes John Ridding in Paris.

Production will stop for four days in September, taking the total to 33 days since the start of the year. Mulhouse, which produces 1,400 cars a day, is the main French production centre for Peugeot-Citroën, with Sochaux and Poissy.

Last month, the company said that its Sochaux factories would also stop production for two days in August and three days in September.

Germany's forex reserves expand

By Andrew Fisher in Frankfurt

GERMANY'S foreign exchange reserves were swollen by nearly DM8bn (£3.1bn) last week as a result of speculative currency inflows, but this figure does not yet include the full impact of the Bundesbank's intervention to prop up the French franc, the Bundesbank said in its weekly statement.

This omission is because of the usual delay in reporting foreign exchange transactions. The support operations involving the German central bank at the end of July will thus show up in next week's statement, it said.

The DM7.7bn rise in reserves, mostly reflecting Bundesbank currency intervention, brought the total up to DM118.6bn. However, Mr Helmut Schlesinger, Bundesbank president, said on Monday that the central bank's intervention had led to inflows of DM60bn last month, nearly half of this on Friday.

After the currency markets chaos and the widening of fluctuation bands in the European exchange rate mechanism, the Bundesbank has started to mop up the excess liquidity to try to prevent further growth in the money supply and price inflation.

In this week's securities repurchase (repo) operations with commercial banks, it drained DM38bn of liquidity from the system.

Alcohol market in EC 'worth £95bn annually'

By Philip Rawstorne

THE European Community's alcoholic drinks market is worth £95bn a year, according to a report published yesterday.

About 225m people – 85 per cent of EC adults – are drinkers, consuming between them 26.6bn litres of beer, 13.7bn litres of wine, and 1.8bn litres of spirits a year.

The French, Germans and Spanish are the heaviest drinkers; the British and Irish among the most abstemious. The average European's annual consumption of 9.8 litres of pure alcohol, however, has fallen nearly 15 per cent since 1980.

The drinks industry provides full-time employment for about 3m people in production and distribution, 2 per cent of all EC jobs.

It contributes a £4bn trade surplus to the Community, and it raises £36bn in tax revenues, almost enough to fund the EC Commission's annual budget.

To raise an equivalent amount, EC governments would need to increase income tax rates by 12 per cent or VAT rates by 16 per cent.

This assessment of the industry's economic importance by the European Insistute of Business Administration is included in a report submitted to the European Commission by the Amsterdam Group, formed by leading drinks companies to help combat alcohol abuse.

Mr Richard Owen, chairman of the group's committee responsible for the report, said yesterday: "The industry has a vested interest in encouraging responsible drinking among the majority while actively discouraging alcohol abuse by a small minority."

It is estimated that while more than 90 per cent of consumers drink in moderation between 4 and 7 per cent drink excessively.

The report agrees there is a range of significant health risks from excessive consumption, but argues that moderate drinking alone poses no problems and can be beneficial.

Attempts to curb overall drinking have little or no effect on irresponsible drinkers, it says. The report recommends the extension of information and education programmes but suggests that the most effective alcohol policies are developed at national level.

"No reasonable case can be made on social, health or economic grounds for curbing the industry's right to normal commercial freedoms," it concludes.

NEWS: THE AMERICAS

US factory orders show rise of 2.6%

By Nancy Dunne in Washington

ORDERS received by US factories rebounded 2.6 per cent in June, the first rise in three months and the biggest increase this year, the Commerce Department reported yesterday.

In another positive report, the US Labour Department yesterday indicated a decline in the number of workers filing new unemployment claims in the week ending July 31. Claims fell to a seasonally adjusted 336,000, against 396,000 a week earlier.

In all, new orders for manufactured goods increased $6.4bn in June, following a 1.6 per cent drop in May. New orders for the first half of this year were 6.1 per cent ahead of the equivalent period in 1992. Orders for defence goods, which have been declining, were up 3.1 per cent, the first rise since March. Excluding the defence category, orders still rose 2.5 per cent.

The orders rise was above Wall Street economists' expectations of a 2 per cent increase.

Transportation equipment provided the largest increase in June, most of it for aircraft and parts. Excluding transportation equipment, new orders for durable goods increased by only 0.3 per cent.

The rise was more significant in the non-durable goods sector, where orders rose 1.3 per cent to $124.1bn for products such as chemicals and foods.

Shipments of both durable and non-durable goods rose in June, by 2.3 per cent and 1.3 per cent respectively. However, the number of unfilled orders declined, particularly for durable goods, which fell to the lowest level since August 1988.

A falling backlog in orders is bad news for employment because it indicates that the current factory workforce has little difficulty dealing with the orders flow. It raises little hope that the manufacturing economy is prepared to shake off its debility, until demand picks up in Europe and Japan.

Mexican retreat on housing rights

By Damian Fraser in Mexico City

THE MEXICAN government has sought to quell rising protests at a law which eliminates rent controls and curbs tenants' rights in Mexico City. It has promised to protect existing tenants from the law's impact for five years.

The law, passed by Congress last month, removes ceilings on rent increases, eliminates the one-year minimum for a housing contract, and simplifies the legal eviction of a tenant. The aim was for the law to stimulate investment in Mexico City's housing market, widely believed to have been depressed by the rent controls and tenants' rights.

However, citizens' groups, unions and opposition parties bitterly opposed the law, and led street protests against it.

President Carlos Salinas has partly bowed to this by promising to postpone application of the legislation to existing tenants for five years. He will also propose measures to stimulate housing investment.

The new law will apply to all new tenants, though, so citizens' groups are to continue their protests.

LA police sentences may go to appeal

By Louise Kehoe in San Francisco

THE US JUSTICE Department is considering whether to appeal against the 2½-year jail sentences received by two white Los Angeles policemen convicted on federal charges over the beating of Mr Rodney King, a black motorist.

The earlier acquittal on California state charges of all four police officers involved in the incident led to rioting in Los Angeles last year that left 54 dead and an estimated $1bn (£670m) in damage. The severe beating of Mr King after a high-speed car chase in March 1991 was videotaped by a bystander.

Prosecutors in the federal case had been seeking the maximum sentence – 10 years in jail and fines of up to $250,000. Explaining his leniency, Judge John Davies said that Mr King had brought much of the violence upon himself by resisting arrest.

The judge also criticised federal prosecutors for having put the officers through a second trial after they had been acquitted in a state court.

There has been no violent reaction to the sentences handed down on Wednesday. However, they stirred anger and dismay in the Los Angeles black community and a bitter response from Mr King. In a television interview yesterday, he said that, if he had been facing similar charges, "I would have been doing 10, 15 years. But once you're going up against police officers, it's hard to prove it. Who's going to believe you?"

"This is a travesty of justice, as opposed to a measure of justice," said Mr Joseph Duff, president of the LA chapter of the National Association for the Advancement of Colored People. Mr Mark Whitlock, executive director of LA Renaissance, a black community support group, charged that the sentences would further erode faith in the fairness of the courts.

Associated Press

Police Sergeant Stacey Koon (above), one of the officers sentenced in Los Angeles, and Judge John Davies (below)

A need to pedal out of poverty in Bolivia

Christina Lamb examines the new president's problems in the poorest country of South America

CROUCHED at the side of a dirt road in the 12 de Octubre market in El Alto, the working-class township on the rim of the canyon above the Bolivian capital, La Paz, with a huge pile of gnarled potatoes spread on a blanket in front of her, Mrs Celia Ticono de Medina does not think highly of economic stabilisation programmes.

Wrapped against the biting Andean air, in a colourful shawl with a pink-faced baby suckling at her breast, she tips her bowler hat and opens her mouth to reveal rotting teeth, blackened from chewing coca leaves to stave off hunger.

Mrs Medina, aged far beyond her 32 years, has journeyed all night on the back of a truck from the mining town of Potosi to sell the potatoes for the equivalent of a few dollars, however long it takes. She has five children and is married to a miner who lost his job in 1985 during the government's radical adjustment programme, often cited as the most successful such revision carried out under democracy in Latin America. Mrs Medina is not convinced: "You can't eat stability."

Bolivia has reduced annual inflation from 26,000 per cent to less than 10 – the lowest in South America – and is seen as a model of how to tackle hyperinflation and debt crisis in a democracy. But it also illustrates the fact that economic stability does not necessarily bring prosperity. The poorest country in the region, its return to economic growth since 1987 has barely outpaced population growth.

Mr Gonzalo Sánchez de Lozada, the victor of the presidential election held in June, is due to be sworn in as president today – independence day. He was planning minister in 1985-89 and the main author of economic adjustment.

Combating poverty and improving wealth distribution are the main challenges facing him and he has no doubt about what voters want. "The onus is on us to get the economy moving and get money to the forgotten people," he says.

Mr Palmiro Soria Sauzedo, assistant director of Plan International, a development agency, warns: "It's time to democratise the economy as well as politics. Otherwise that was the last vote for the free market option".

For the average Bolivian, the costs of balancing the budget have seemed more tangible than the benefits. Living costs spiralled after the government slashed subsidies and raised public sector tariffs; unemployment rose with the sacking of state employees, including 23,000 metals miners; drastic cuts in import tariffs have made life hard for local industry; the budget squeeze has hit provision of public services.

According to the World Bank, Bolivia's per capita income has fallen more than 20 per cent since 1980 to $700 (£469.70) now. The rural population has been hit hardest. Bolivia has the highest percentage of rural poverty in the world, with 97 per cent of the rural population below the poverty line according to the UN International Fund for Agricultural Development, compared to 85 per cent in 1985. Also during this period, the rural population increased by 1.4m to 3.4m – about half the country's total.

Nowhere is this clearer than on the altiplano, the high Andean plain on which 70 per cent of the rural population live. Scenes of llamas grazing on the shores of Lake Titicaca, under the snow-capped Mount Illimani, look misleadingly idyllic. Here average life expectancy is 46 years, infant mortality is 172 per 1,000 live births and family income averages 72 bolivianos (£11.40) a month.

Mr Sandro Calvani, head of the UN Drug Control Programme in Bolivia and former World Health Organisation representative in Africa, says, "poverty here is worse than in Ethiopia or Burkino Faso." He is not surprised that, for many, growing the coca leaf is the only way.

Some 10 per cent of the working population is involved in the coca trade, including many former miners. Bolivia is now the second largest producer of coca after Peru (and of cocaine after Colombia), generating some $650m-$700m a year, of which some $150m-$200m stays in the country.

Rather than construct a real alternative to this ancient cultivation turned drug source for the developed world, Bolivia has become highly dependent on foreign aid. By contrast, foreign investment has been deterred by dithering government in the face of strong union opposition. Exports are declining – a trade surplus of $104m in 1989 had turned into a $561m deficit last year, the worst in a decade.

Mr Sánchez de Lozada denies that the adjustment programme has worsened conditions: "That's like blaming the fireman for the fire. People forget that, from 1980 till adjustment in 1985, GNP shrank 27 per cent because of the collapse in tin prices [Bolivia's main legal export] and the debt crisis. We found a very poor country with hyperinflation and left a very poor country without hyperinflation."

He blames the last government for not building on stabilisation. "The problem is that, since then, we've had stagnation and thus not dealt with the terrible social problems left over from the 1980s."

The new president plans an ambitious transfer of wealth through the distribution of shares in state companies worth an estimated $4,000 per person. He declares: "Stability is like a bike. We've stabilised and must now start pedalling, otherwise we will fall."

NEWS: WORLD TRADE

Hochtief to build new airport for Athens

By Ariane Genillard in Bonn and Kerin Hope in Athens

HOCHTIEF, one of Germany's largest construction companies, has won a DM4bn ($2.3bn) contract from the Greek government to build and run a new airport at Spata 16 miles from Athens.

The airport is intended to serve as the regional hub for southeast Europe. The Greek government says it will replace the existing airport in Athens, which has been criticised by local residents for its high level of noise pollution.

Under the terms of the deal, the airport will be operated for 50 years by a company owned 40 per cent by the Greek state and 60 per cent by a Hochtief-led consortium.

The latter includes Asea Brown Boveri-Germany from the Swiss-Scandinavian group, Krantz TKT, a subsidiary of the Deutsche Babcock engineering group, and Flughafen Frankfurt Main company, which runs Frankfurt airport. The principal Greek subcontractor will be Mechaniki, a northern Greek construction concern.

The Greek partner will provide 35 per cent of the financing through an Ecu400m ($452m) grant from the European Community and is raising the remainder of its contribution through an airport transit tax.

The controversial tax was imposed earlier this year on passengers using existing Greek airports.

The German side will contribute the rest of the financing. Hochtief said its initial capital commitment would be Ecu180m.

The construction is expected to take 51 months and the airport is due to be operational in 1998.

The German companies won the contract after being shortlisted with a French-Greek consortium led by Société Auxiliaire d'Entreprises de France and Aéroport de Paris.

Hochtief said the key factor in winning the contract was the willingness of the German consortium to allow the Greek state a larger equity stake in the airport company.

Clinton administration seeks special facility to raise $20bn for border projects

Mexico-US environment fund proposed

By Nancy Dunne

THE CLINTON administration has suggested to Mexico that the countries set up a finance facility, only loosely linked with the InterAmerican Development Bank, to raise up to $20bn (£13.4bn) for environmental projects at the border.

The proposal is part of negotiations on the North American Free Trade Agreement now under way in Washington. The trade ministers of the US, Canada and Mexico met again yesterday to take up where their subordinates left off in talks throughout the week.

The official word was that progress was being made but reports filtering out of the negotiations indicated otherwise – only partly due to the US desire to hold the Nafta grand finale after Congress has approved a new budget. The US is still insisting on the use of trade sanctions to enforce environment and labour aspects of the agreement; Canada and Mexico are, to different degrees, still resisting.

Although the administration is proposing a stand-alone financing facility for the environment for the first time, the idea is stirring little excitement in Congress, where several Democrats are still hoping for the creation of a North American Development Bank.

The Clinton plan is for a border institution, established through presidential agreement between the US and Mexico. It would co-ordinate a regional plan on the environment, review project designs for dealing with waste water and industrial pollution, assess the technical and financial feasibility of proposed projects, and oversee construction and operation.

It would also mobilise private sector finance, direct government supports (loans, guarantees, equity finance) and provide money through the finance facility.

The latter would be separately chartered and capitalised by the US, which would provide 85 per cent of the $525m in paid-in capital, and Mexico, which would provide the rest. It would be capitalised initially at $5.025bn, a sum expected to yield up to $20bn for lending. The IADB would be associated with it in some form of advisory capacity.

The scheme has been criticised as inadequate by Mr Albert Jacquez, chief of staff to Congressman Esteban Torres, who has introduced legislation to create a North American Development Bank.

US steel-makers want injury rulings changed

By Nancy Dunne

US CARBON steel producers are citing a plunge in their shares last week as an argument for a rare reconsideration by the US International Trade Commission of many of the steel cases which last week went against them.

The commission's findings shocked many who had expected injury findings, and higher tariffs as a result, on most of the 72 complaints brought by the industry.

In a new petition, submitted last Tuesday, the 12 largest steel producers said 40 negative injury findings by the ITC, and the share sell-off which followed, wiped out more than $1bn (£671m) in their market value. This had affected their ability to raise capital and maintain investment needed to remain competitive in flat-rolled steel markets.

The six ITC commissioners, who will take a written vote on the petition, have until Monday to submit their injury decisions formally to the Commerce Department. The steel companies have asked them to reopen the case and "to issue an appropriate modification and correction" when they vote on Monday.

"Such a final vote will permit the commission to take proper note of the devastating impact of continued unfair trade in carbon steel flat products on the financial state of petitioners and their ability to raise necessary investment capital," the new petition says.

Taiwan power proposals

By Frank Gray

TAIWAN Power, the state electricity generating monopoly, is taking steps to diversify the island's sources of power.

If the government approves the measures will allow independent power generators to enter the Taiwan market. They would build, own and operate their own plants, the costs of which would be recovered through the sale of electricity to Taipower. The plan could be the first step in a deregulation of the sector.

According to the company, 10 sites have been selected. Initially, they would only be open to Taiwan investors, although foreign investment would be a logical next step. Power plants of up to 750MW could be built on the sites. Nearly all the principal equipment would be bought from foreign suppliers.

Taiwan's aggressive power expansion programme has prompted the need for private sector capital. Taipower's installed capacity is more than 19,000MW, but it intends to increase this to 30,000MW by the year 2000. Analysts say this will require an investment of at least $14bn.

The state utility, which operates 56 power stations, three of them nuclear, wants to unload some of the burden of environmental responsibility on the private sector. Taiwan's environmental lobby has been active in opposing new power stations, particularly the proposed 2,300MW of nuclear capacity planned for Yenliao in northern Taiwan. The Yenliao project is currently out to tender.

Frank Gray is editor of Power in Asia, a Financial Times newsletter.

UK exports 'lose out' in Argentina

BRITISH exporters to Argentina complain that the prohibitive cost of recently extended government export insurance is losing them business in one of Latin America's fastest growing markets, writes John Barham.

The UK government's Export Credits Guarantee Department resumed coverage to Argentina in June, after an 11-year absence following the 1982 Falklands war.

However, exporters see it as no more than an empty political gesture. No company has taken out the £100m-worth of cover available for Argentina because of its cost. Exporters must pay a 14 per cent premium (almost three times the premium charged by other countries' export credit agencies) plus a further 8 per cent annual interest rate.

Mr Daniel Corallo, president of Capime, a local company representing UK power engineering company John Brown Engineering, says British goods are well-priced, but lose to competitors backed by state-subsidised export finance.

Mr Carlyle David of the ECGD says its computerised system enables it to "assess risk objectively and set premiums and cover appropriate to those risks." Argentina has a "fairly high risk, so we regard the amount of cover allocated as sufficient".

British exports to Argentina rose 31 per cent in the first five months of this year.

Menem finds that free trade is something of a mixed blessing

John Barham reports on second thoughts in Argentina

A STEADILY deteriorating trade balance and approaching elections are forcing Argentina to backtrack gradually on its free trade policies. In recent weeks it has resorted to a battery of protectionist measures aimed mainly at Brazil, its principal trading partner with which it is trying to consolidate Mercosur, a four-nation regional common market with Uruguay and Paraguay.

Claiming that recession-bound Brazilian companies have captured excessive shares of the paper market, Argentina last month imposed quotas for some paper products. Then, it announced an 18-month halt to preferential tariffs on Brazilian refrigeration equipment. Now, it has placed extra duties on textiles and is considering further protection for the petrochemicals industry.

All this is welcomed by hard-pressed industrialists who had accused President Carlos Menem's government of being "anti-industry", pursuing policies that have led to unrestrained import competition, rising costs, an overvalued currency and excessive taxation.

Mr Jorge Blanco Villegas, president of the Argentine Industrial Union which represents manufacturers, complained that "in a world of recession and change, no serious country cheerfully gives away its [domestic] markets". Textile imports had risen 89 per cent in the first half of this year, and paper imports had captured a third of the market.

This is not the first time Argentina has retaliated against Brazil. Last October, Mr Domingo Cavallo, economy minister, trebled to 10 per cent a tax on imports, aimed specifically at Brazilian goods.

Officials blamed Brazil's severe recession, covert subsidies and an aggressive exchange rate for unleashing a torrent of exports to Argentina. Half the 1992 trade deficit of $2.62bn – Argentina's first since 1981 – was with Brazil. However, despite last year's tax increase, this year's first quarter $511m deficit was up by 57 per cent.

The friction comes against a background of steadily increasing trade between South America's largest economies. Reductions in tariffs called for by Mercosur helped to boost bilateral trade by two-thirds last year to $4.93bn and Brazil is now Argentina's biggest export market as well as its biggest supplier.

Brazil has reduced its surplus with Argentina by more than half in the first quarter of 1993, by importing more Argentine flour and crude oil. But Argentines complain that trade is one sided: Argentina is becoming an exporter of raw materials to Brazil and an importer of Brazilian manufactures.

Mr Carlos Magarinos, trade under-secretary, says the more aggressive trade policies are part of a wider change in industrial policy. Most of Argentina's companies are small, incorporate little technology and produce a wide range of products inefficiently. The government wants them to gain economies of scale by narrowing product ranges and investing more in technology. Companies which can show they have made efforts to change but remain exposed to predatory exporters can expect a sympathetic hearing from the government.

Argentina's trade deficit has also become a political problem, with the opposition railing against government "insensitivity" to industry's problems. They accuse Mr Menem of repeating an earlier experiment with free trade that ended disastrously in 1981 with mounting bankruptcies, current account deficits and devaluation.

With important congressional elections due in October, Mr Magarinos says "we must take care of the [trade liberalisation] process to avoid criticisms. It must continue and be done reasonably." Otherwise, he fears, people "would say 'we cannot trust [the government] with our future' and vote against us, and they would be right. And then [other parties] would come and close the economy again."

Inflation in Argentina has fallen to its lowest level in 24 years, reaching a monthly rate of just 0.3 per cent in July, the government announced, writes John Barham.

Mr Domingo Cavallo, economy minister, said the fall meant Argentina's inflation was converging with "those of developed countries". Achieving inflation rates close to international levels has been one of Mr Cavallo's overriding objectives.

In April 1991, he pegged Argentina's peso to the dollar, and has been striving since then to lower inflation to US levels and avoid an irreparable overvaluation of the peso.

However, improved price stability seems to have been achieved at the cost of rising unemployment and deteriorating external accounts. Although exports are improving, imports are increasing at a much faster rate. The first quarter trade deficit rose 57 per cent to $511m (£343m).

According to preliminary government data, unemployment rose to 8.9 per cent in May against 6.9 per cent a year earlier. Underemployment is estimated at a further 10 per cent. These are the highest rates in 20 years and rival unemployment during the 1989-90 crisis of hyperinflation.

NEWS: INTERNATIONAL

Testing time for Pakistan's caretaker PM

Farhan Bokhari and Alexander Nicoll on Qureshi's dash to tackle chronic economic woes

MR Moeen Qureshi, Pakistan's caretaker prime minister, has only a short time to tackle the country's chronic economic problems. But he has begun a campaign to enforce tighter control on spending and to increase revenue which may, business and economists believe, have long-term impact.

Mr Qureshi, appointed in July to lead a government which is due to hold office until elections on October 6, said this week: "The problems [of the economy] have to do with the establishment of discipline and integrity, not only in all parts of the public sector but also the private sector. There has to be a sense of civic commitment to meeting your obligations and I am afraid that is frequently lacking in Pakistan."

The former World Bank official is perhaps uniquely qualified to deal with the problems left behind by Mr Nawaz Sharif, the former prime minister who resigned in July after a bitter political struggle which also resulted in the premature departure of President Ghulam Ishaq Khan.

Mr Qureshi, who is 63, worked for Washington financial institutions for 33 years and is therefore untainted by ties to Pakistani political parties. Deputy chief of the government's planning board while in his 20s, he left Pakistan in 1958 to join the International Monetary Fund.

He gathered huge experience in the problems of developing countries first as an African expert at the IMF, and later as a senior official in the International Finance Corporation. From 1981 until his retirement in 1991, Mr Qureshi was a senior vice president of the World Bank.

He has inherited an economic situation which worries Pakistan's financial community, although there have been no official intimations of an immediate crisis.

Foreign exchange reserves are very low, though bankers believe they have risen since Mr Qureshi's appointment. Pakistan's trade deficit in the financial year ended June 30 was \$3.2bn (£2.14bn), with exports of \$6.8bn falling short of the targetted \$8bn. Economic growth slowed and inflation rose in the financial year, and the Asian Development Bank estimates that foreign debt rose from \$25.4bn to \$28bn.

The latest devaluation was intended to counter Indian and Chinese exports of textiles, Pakistan's chief export earner. Falling textile sales have led to widespread losses, with almost 15 per cent of approximately 6m spinning units shutting down during the past year.

Mr Sharif was an enthusiastic reformer of the economy. He oversaw a substantial privatisation programme, removed restrictions on industry, and actively sought to boost exports foreign investment. However, he failed to curb the budget deficit. Though exports grew, they fell below official projections. Foreign investment remained small because of economic and political uncertainties.

Mr Babar Ali, an industrialist who has been appointed finance minister, says: "We feel that perhaps there was some hesitation on the part of the politicians, because there could have been bitter pills that they didn't want to take, but we have no such hang-ups."

The interim government's first measure was a 9 per cent devaluation of the rupee to boost exports. Measures under consideration include reduced spending on infrastructure, such as motorway construction projects which began under Mr Sharif, senior officials say.

Mr Qureshi said the steps considered were aimed at reducing the budget deficit, strengthening the financial position of utility companies such as the Water And Power Development Authority – Pakistan's largest public sector supplier of power – and further deregulation of the economy.

He did not make clear whether an increase in the tariff for electricity or other utilities would be on the agenda. It was also not clear how the government would deal with the chronic problem of widespread tax evasion. "People do need to pay taxes. If people don't pay taxes, you cannot have resources from which to run government," said Mr Qureshi.

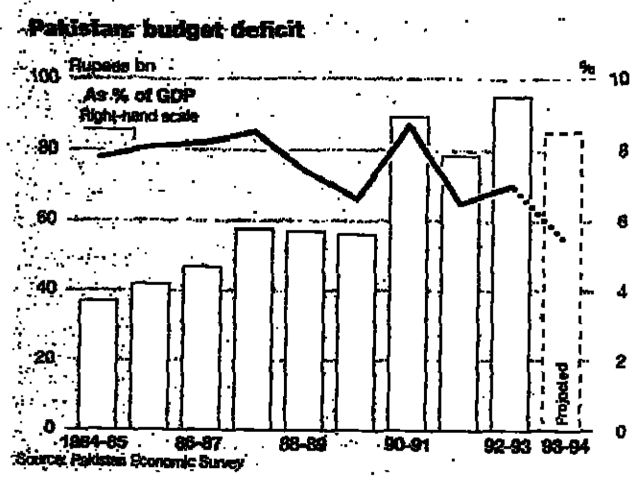
The government has begun an official inquiry intended to compile a list of bank clients who took large loans, defaulted on repayments and then used connections to influential politicians to stop the banks from liquidating their assets. The inquiry began after reports that defaulters could be barred from contesting the elections.

Some officials see this initiative as an important test of the government's determination to introduce tough, politically sensitive measures. They hope Mr Qureshi will leave behind a new medium-term economic plan, which would help to reduce the overall budgetary deficit down to 5.5 per cent of GDP – the target recommended by international financial institutions, which has been missed for several years.

There must be doubts about how lasting measures can be if taken by a neutral, caretaker government, given that its successor which is elected in October will again face familiar political constraints.

The best hope, however, is that the incoming government will feel bound by economic necessity to abide by the terms of the agreement which Mr Qureshi hopes to reach with the IMF, particularly as it will partially escape the unpopularity which naturally goes with agreeing to IMF strictures.

Moreover, Mr Qureshi has the backing of the army, which brokered the resignation deal which brought him into office. Though the army has proved that it is no longer interested in wielding power directly, it remains a powerful force in the background.



Source: Pakistan Economic Survey

Mandela and de Klerk in urgent talks

By Philip Gawith in Johannesburg

PRESIDENT FW de Klerk of South Africa and Mr Nelson Mandela, the ANC leader, were in urgent talks last night in an effort to find ways of curbing the violence that has swept townships east of Johannesburg, claiming more than 130 lives in the past five days.

Their meeting followed an announcement by Mr Mandela that arrangements were being made for a joint tour of the East Rand townships by the ANC leader and Mr Mangosuthu Buthelezi, leader of the mainly Zulu Inkatha Freedom party. It also came after the deployment of an extra 2,000 policemen, backed by the Defence Force, in an effort to restore peace.

Before meeting Mr de Klerk, Mr Mandela had toured Katlehong, the township at the heart of the violence, where he struggled to convey a message of peace and reconciliation to angry supporters.

Addressing a crowd of about 8,000, Mr Mandela said: "We are building a nation. The answer has to be reconciliation, peace and political tolerance." His call was met, however, with repeated cries for weapons and the presence of Umkhonto we Sizwe, the ANC's military wing.

Mr Mandela also accused the police and security forces of not caring about black lives. "To this government, to this police force, to the South African Defence Force, the lives of black people are cheap. It is as if flies had died." He called for the police Internal Stability Unit to be withdrawn from the township and said a national police force under multi-party control should be established.

Mr Mandela apportioned some blame to the ANC, admitting that ANC supporters had been involved in the violence. He said the violence was not only the responsibility of the government. "Real leaders do not just point fingers." This point is likely to be strongly argued by Mr de Klerk. Recent opinion polls suggest that he has lost considerable support among whites because of fears that the government can't maintain law and order.

He is also likely to stress that considerable onus rests on Mr Mandela and Chief Buthelezi to end the violence.

Mideast talks 'back on track' – Christopher

By Julian Ozanne in Jerusalem

MR Warren Christopher, the US secretary of state, who is shuttling between Middle East states, appeared yesterday to be edging towards progress on the deadlock in peace talks between Syria and Israel.

However, Mr Christopher failed to bridge differences between Israel and Palestinians, central to a settlement of the Arab-Israeli conflict.

The developments came as it emerged that Mr Yossi Sarid, a moderate in the Israeli cabinet, and environment minister, had talks with a senior official of the Palestine Liberation Organisation with the approval of Mr Yitzhak Rabin, Israel's prime minister. Mr Sarid's meeting with Mr Nabil Shaath, adviser to Mr Yassir Arafat, PLO chairman, in Cairo last month, is the first such contact and will further erode the Israeli taboo on talks with the PLO.

After meeting Mr Rabin yesterday Mr Christopher declared the peace talks "back on track" and said he would be holding an unscheduled second round of talks with President Hafez al-Assad of Syria today. His announcement fuelled speculation of modest progress in talks between Israel and Syria which focus on an Israeli withdrawal from the occupied Golan Heights, seized in the 1967 Middle East war, in return for a full peace including trade and diplomatic relations and security guarantees.

Mr Rabin said Mr Christopher brought "good news" from Damascus but he cautioned: "It is only the beginning. We still have a long way to go."

US officials with Mr Christopher refused to specify the nature of the apparent progress but said the US had increased its role in the peace process from that of an "honest broker" to being an "active intermediary".

The US wants to lay the ground now for the 11th round of peace talks, expected to be held in Washington in September. However, discussions between Palestinians and Israelis on a two-phased settlement remain blocked over the nature of an interim five-year period of limited Palestinian self-rule in the occupied West Bank and Gaza Strip.

The US is pressing for acceptance by both sides of its draft statement of principles which promises the Palestinians an early transfer of administrative functions over areas such as health, education and police, but excludes control by Palestinians over Arab East Jerusalem and the Jewish settlements in the occupied territories.

Palestinians leaders, some of whom boycotted Mr Christopher's visit, reject the document as being pro-Israeli and are trying to persuade the US to start talks about the final status of a Palestinian entity. Israel opposes such a move. The shape of the joint statement has become crucial because both sides believe what they agree to now will determine the shape of a final Palestinian entity.


Associated Press

Policemen guard the 1,000-year-old city of Angkor Thom, in northwest Cambodia, amid fears of attacks by Khmer Rouge guerrillas

Nigerian committee agrees on civilian-led government

By Paul Adams in Abuja

CIVILIANS will "dominate" an interim Nigerian government under a proposal agreed in Abuja yesterday designed to break the country's political deadlock.

A joint committee of leaders of Nigeria's two political parties and members of the military government ended their two-day meeting with a recommendation that President Ibrahim Babangida hand over to a civilian-led interim government on August 27.

"It is... envisaged that a majority of civilians over military personnel will dominate the interim national government, including its highest ruling body," Vice-President Augustus Aikhomu, head of the committee, said in handing over its report to General Babangida.

The recommendation is not binding, however, and the precise role of Gen Babangida in such a government remains unclear. Although many Nigerians are sceptical about his willingness to step down, he may be under pressure from within the military.

Although there is considerable popular support for Chief Mashood Abiola, who continues to demand that his June 12 presidential election victory be recognised, many of the politicians attending the Abuja meeting feel they may have to accept the proposed interim civilian government.

Mr Abiola, who has denounced the proposed interim government, met Baroness Chalker, Britain's overseas development minister, in London yesterday. The minister restated Britain's call for President Babangida to keep his commitment to hand over power on August 27.

Mr Abiola later left London for the US, saying his talks there would include members of the administration.

China steps up scrutiny of taxation

CHINA is to campaign against tax evasion and fraud as part of attempts to restore order to its chaotic economy, writes Tony Walker in Beijing.

A state circular released yesterday demands that business enterprises should no longer receive extensions to tax-exempt periods. It also warns against tax cuts.

Companies claiming tax concessions for exports will be closely scrutinised, as will the private businesses that have mushroomed throughout China and enterprises involving foreigners. Tax offices are urged to increase efforts to collect tax from "self-employed businesses".

NEWS IN BRIEF

Heavy toll in blast at Shenzhen plant

A huge blast likened by local residents to an atomic explosion has killed up to 70 people and injured many others in the southern Chinese economic zone of Shenzhen, writes Tony Walker in Beijing.

Xinhua, China's official newsagency, reported that a succession of explosions had rocked Shenzhen city early yesterday afternoon, sending smoke billowing into the air and breaking windows several miles away.

Sources in Shenzhen, which stands on the border with Hong Kong and the New Territories, said an initial explosion occurred in a nitric acid storage facility.

The intense heat ignited a second and larger detonation in a gas storage plant nearby.

Some 200 people are reported to have been admitted to hospital.

Japan tool orders down by 25.6%

Machine tool orders in Japan were down by more than a quarter in the first half of the year and orders for the whole year may be the lowest for a decade as domestic manufacturers continue to cut capital spending, writes Gordon Cramb in Tokyo.

The Japan Machine Tool Builders' Association said yesterday that orders for the six months to June were Y287.3bn (£1.82bn), down 25.6 per cent. Export orders were down only 8.6 per cent from the same period of 1992 but those placed by customers at home fell 33.2 per cent.

It said that in the absence of a sharp recovery, full-year order intake may emerge at only some Y600bn. This would bring them back to or even below the levels of 1982-83 and more than halved from their peak Y1,412bn achieved in 1990.

Orders from Japanese automotive and electronics groups, the two main sets of customers, each fell by more than a third amid overcapacity and weak consumer demand for their end-products.

Zimbabwe stands firm on farm sales

Zimbabwe's government will not back down on plans to force white farmers to sell their land, Mr Kumbirai Kangai, the agriculture minister, said at the annual congress of the Commercial Farmers' Union which ended yesterday, Reuter reports from Harare.

There would be social strife without land reform, the minister said. "Land just has to be redistributed because if it is not, then those with no land will take the law into their own hands and there will be social trouble," said the minister.

CFU delegates said the government had a "racial agenda" in its land redistribution programme.

Farmers reap the gains of land laws

Iain Simpson on the market reforms transforming Vietnamese agriculture

VIETNAM'S programme of economic reforms is having a big effect on the lives of the country's 55m peasant farmers. With increasing rights over the land they farm, they are now free to make commercial decisions, but a growing number are finding that market reform means lower incomes.

A new land law passed by the National Assembly on the final day of its latest session last month allows private ownership of land in all but name. Under the law, peasants can lease, mortgage, inherit and "transfer" (a more acceptable term than "sell") the land they farm.

The Assembly also passed a law cutting agricultural taxes from 10 to 5 per cent, giving farmers a greater incentive to increase their output.

According to the country's 1992 constitution, all land officially belongs to the people – in other words, to the state. Under the new land law, however, farmers will be guaranteed the use of their land for between 20 and 50 years.

The law is a logical step in a process that started in 1989 when Vietnam officially abandoned its policy of collectivisation of land.

The programme had been pursued in north Vietnam since 1954, when the country gained its independence from French rule. However, the Communist party's attempt to introduce the same policy in southern Vietnam after reunifying the country in 1975 met fierce resistance and was quietly abandoned.

The government hopes the new laws providing security of tenure and lower taxes will encourage the country's farmers to invest in the land and to become less dependent on state investment in the sector.

With the growth of a free-market economy in Vietnam, farmers are finding that their traditional three rice crops a year are earning less and less.

Vietnam is one of the largest exporters of rice in the world and the price at home has dropped sharply.

Vietnam derives nearly half of its income from agriculture, which is dominated by rice.

Farming accounts for nearly three-quarters of the country's employment, and about a third of its exports.

Many farmers say they want to diversify and grow at least one cash crop a year. The problem is that Vietnam's banking system has not adapted quickly to the new economic system. Credit is scarce and farmers who have no gold hidden under the floor are finding it hard to raise the money to modernise.

The new land law appears to be popular with farmers. One man working in the rice fields rice just outside Hanoi says that he and his family have been farming the same land for nearly 30 years but, with the land collectivised, he has enjoyed little personal reward for his efforts. Now, he observes with a grin, he will be able to increase his yield and keep the proceeds.

Ideologically, private ownership of land is very hard for the ruling Communist party to accept. It goes against the basic tenets of their philosophy: Marxism-Leninism-Ho Chi Minh Thought. One delegate to the National Assembly said that the land law and the lower agricultural tax were designed to promote the Vietnamese concept of "market reform with socialist characteristics".

As a compromise, the new law allows almost total freedom in the use and transfer of land, which will have the same effect but will cause fewer problems to the hard-working theorists at the Institute of Marxism-Leninism.

There has been some debate in the National Assembly over the details of the law, including what should happen to land when the lease expires. However, the direction of policy and the contents of new laws are decided at a plenum of the party's Central Committee before the National Assembly opens and there was general agreement on the basic principles of the law.

Although land ownership is difficult for the party to swallow, there seems to be a general acceptance that it is an essential part of Vietnam's market reforms.

As one party official put it, "There's no way for Vietnam but to continue with reform and to improve the general efficiency of the economy."

US MISSION TO STUDY TRADE PROSPECTS

In another sign of a thaw between the US and Vietnam, Hanoi announced yesterday that a US congressional delegation would study investment and trade prospects in Vietnam next week, Reuter reports from Hanoi.

The 12-member team from the House of Representatives' ways and means committee will be one of the first congressional economic missions to Vietnam, with which the US has no diplomatic relations. The visit from August 12 to 15 comes a month before US President Bill Clinton must decide whether to lift the US economic embargo against Hanoi dating from 1964.

The aim of the mission is "to study Vietnam's renovation policy and economic development and business and investment opportunities in Vietnam," Ms Ho The Lan, Foreign Ministry spokeswoman, said.

Mr Clinton is under pressure from conflicting pressure groups as the September 14 deadline approaches for him to renew or scrap the embargo.

War veteran groups want him to maintain the sanctions, but US companies want them ended so that they can compete for contracts to be awarded as a result of his move a month ago to lift a US ban on new multilateral lending to Vietnam.

Ms Lan also announced that Vietnam had accepted a US proposal to station three diplomats in Hanoi – the first to be posted to Vietnam since 1955, when the US mission closed following Vietnam's 1954 defeat of French forces at Dien Bien Phu.

Their official job will be consular, but western diplomats say they will amount to a US liaison office with Vietnam.

NEWS: UK

Rolls-Royce to close Europe's only titanium plant

By Roland Adburgham and Daniel Green

ROLLS-ROYCE is to close Europe's only supplier of a metal essential to the aerospace industry and buy it instead from Japanese and US suppliers.

Deeside Titanium, a Rolls-Royce subsidiary which makes titanium sponge granules, is to shut because demand is falling and imports are cheaper, Rolls-Royce said yesterday.

It was opened only 11 years ago because the UK wanted its own source of an essential material used in engines for Tornado fighters and other aircraft both military and civil.

The plant, in Clywd, north Wales, has been operating at well below its capacity.

Rolls-Royce said: "The company has maintained operations to provide the special quality of titanium which is needed to make the high temperature alloys used in Rolls-Royce engines. It used to be a strategically important source. Now there is the required quality from alternative sources."

Deeside Titanium is near the site of Shotton steelworks where 8,000 jobs were lost when steelmaking ended in 1979. It was the first big project to be attracted to regenerate the area and was seen as a flagship investment symbolising new metal for old. Titanium has an exceptional strength to weight ratio and corrosion resistance.

The plant, which will close before the end of this year, was set up at a cost of £25m with backing by the Labour government's National Enterprise Board. The shareholders were Billiton UK, a Royal Dutch Shell subsidiary, Imperial Metal Industries and Rolls-Royce. Subsequently Rolls-Royce took a controlling interest of over 80 per cent with IMI retaining the balance.

Today, the plant sells titanium granules to IMI which uses them to make special alloys for Rolls-Royce aero engines. IMI sells any surplus alloy to other aerospace companies in North America, while Rolls-Royce also had other sources for the special alloys.

Demand for the granules never came up to expectations and the plant never worked at full capacity even when the aerospace industry was at its strongest in the late 1980s.

In the past two years the market has deteriorated. Defence spending has been cut and orders for civilian aircraft postponed. Titanium prices fell sharply as supplies were swollen by metal from the former Soviet Union.

The price of aerospace grade titanium dropped from more than $10 a kilogram in 1989 to $3.50 now. In response, Japanese and US companies cut production by more than one third in 1991 alone.

Any investment for new factories was attracted to the US which has both the world's largest aerospace industry and an import tariff on titanium products of 15 per cent, compared with 7 per cent in the EC.

A US-Japanese joint venture with twice the capacity of Deeside Titanium, opens this year in Ohio. IMI will test the quality of this new plant's output as another possible alternative to Deeside, said Mr Peter Fisken, chairman of IMI Titanium.

Deeside Titanium never employed more than 160 people. The present workforce is only 73, whose redundancies will be phased over several months.

Britain in brief

Boost for shipyard customers

Customers of shipyards are to get extra financial support under rule changes announced by the Department of Trade and Industry.

Mr Tim Sainsbury, industry minister, said the level of security needed to qualify for the home shipbuilding credit guarantee scheme is being cut. "New applicants for HCS will now be able to use their new vessels as security for up to 60 per cent of the loan – rather than the 40 per cent or 50 per cent that has been the practice in the past. This will produce a more level playing field for UK shipbuilders, helping them to compete with shipbuilders from around the world."

The scheme is restricted to individuals or companies in the UK, Isle of Man or Channel Islands. A foreign company can use the scheme if it registers as a UK company.

Car sales up 7%

Sales of new cars in the UK rose 7 per cent last month as Vauxhall gained market leadership in a single month for the first time.

Vauxhall, the UK subsidiary of General Motors, won 23.2 per cent of new car sales last month compared with the 20.3 per cent achieved by Ford, the traditional market leader.

New road plan

Measures announced yesterday to reduce the time taken to complete new roads and bypasses have been welcomed by business and the road transport industry. Changes to the planning process were also proposed to cut between three and five years from the 13 years it currently takes to agree on and build new roads.

Record equity turnover

Turnover in overseas equities hit a new all-time high in July, rising £3bn on the previous month to £50.7bn, the London Stock Exchange said. It estimates that 90 per cent of all cross-border transactions in Europe are transacted through the Exchange's Seaq system.

Polly Peck talks

Administrators to Polly Peck International, the collapsed fruit to electronics conglomerate, are in discussion with the breakaway north Cyprus government in an apparent attempt to stop it taking over PPI's local assets and delaying their disposal.

Hard Ecu 'only option'

The hard Ecu represents the only option left open for business to gain full advantage of the single market, the Institute of Directors said.

The IoD claimed that with the timetable for a single currency "inevitably delayed", the early introduction of a common currency – which could eventually evolve into a single currency – was of paramount importance for the European economy. Mr Peter Morgan, IoD director general, said the present method envisaged for creating monetary union was unrealistic and that the hard ECU "currently represents the best alternative route".

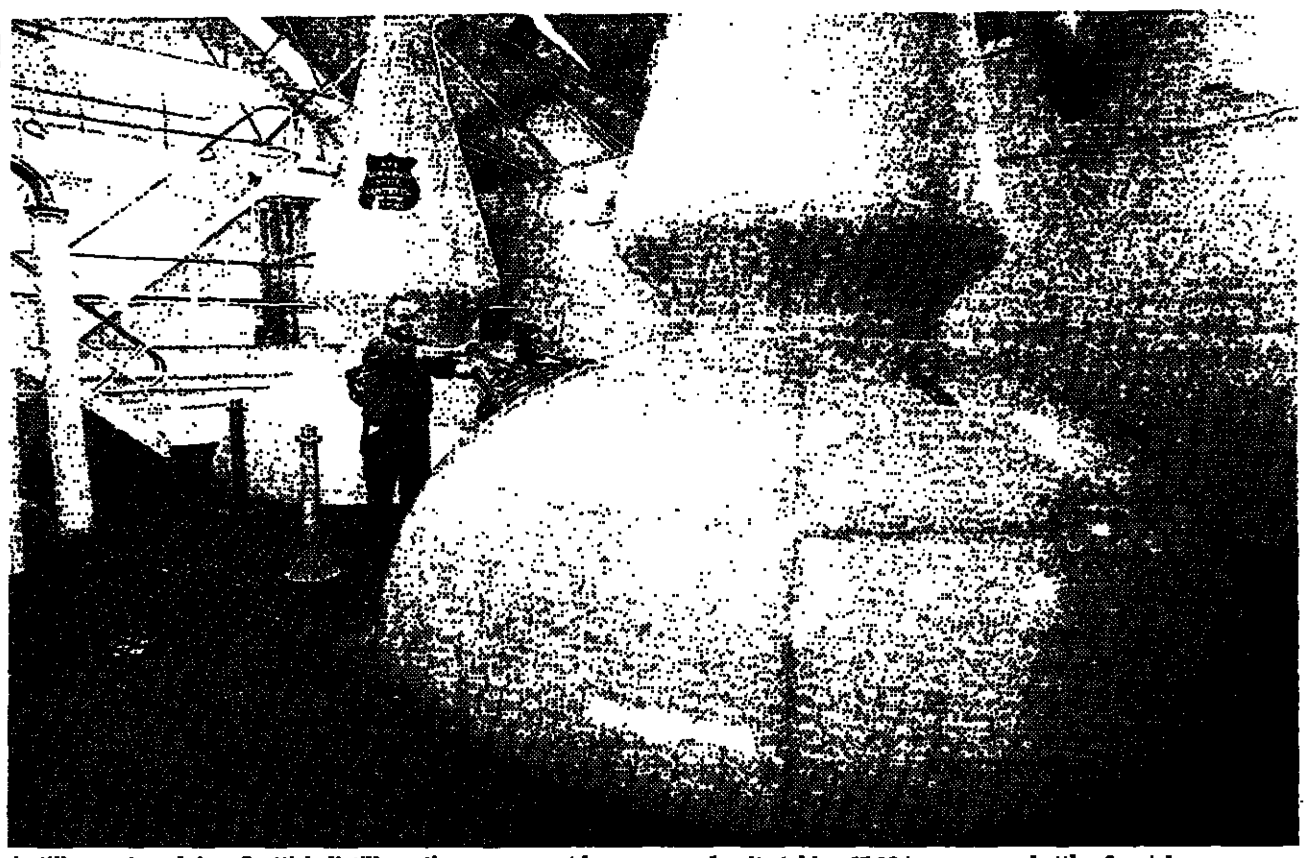
Drug budget inquiry planned

The Commons health committee is to undertake an inquiry into the state-run National Health Service drugs budget in the autumn. MPs will consider whether steps taken by government to control the budget are leading to more appropriate and cost-effective drug use.

British Gas sells to Ireland

British Gas yesterday signed a £68m contract to supply Ireland in the company's first deal to sell gas outside the UK.

The gas will be supplied through a pipeline being built between Moffat and Scotland and Loughshinny, north of Dublin, by Ireland's Bord Gais and scheduled for completion in September. The one-year contract starts from September. It is the first time Bord Gais has bought outside the state, but Mr Michael Conlon, chairman, said: "Ultimately Ireland will be integrated into the European natural gas network."



A stillman at work in a Scottish distillery: the government loses money despite taking £7.16 tax on every bottle of scotch

UK whisky sales fall but exports rise

By Philip Rawstorne

SCOTCH whisky makers yesterday reported a continued decline in UK sales and renewed their appeal to the government to ease the tax burden on spirits.

Industry figures for the year to May showed a 5.5 per cent fall in sales. The government, too, was losing money despite taking £7.16 tax on every bottle, said the Scotch Whisky Association.

"Treasury receipts from spirits in 1992-93 were down £80m – 7 per cent in real terms – and are already heading for a similar loss this year."

The association blamed the government's taxation policy for encouraging other EC states to raise spirits duties.

Nine EC countries had increased the tax differential between spirits and other drinks during the past 12 months, said Mr James Bruxner, chairman.

Scotch volumes exported to the EC in the first five months of the year were 2 per cent down on the same period last year.

Total export volumes in the first half of the year rose, however, as a 3 per cent increase in shipments to the rest of the world more than compensated for the decline in Europe. The value of exports to non-EC countries was 6 per cent higher at £555.8m. Growth was achieved even in difficult mature markets such as the US, where shipments so far this year have grown 2 per cent in volume and risen 11 per cent in value to £123m.

Deficit in 1992 was £3bn less than forecast

BRITAIN'S current account deficit was nearly £3bn smaller in 1992 than the government originally estimated, thanks to an unforeseen boost from the devalued pound, writes Emma Tucker.

The final balance of payments figures published yesterday showed a sharp jump in UK earnings from overseas portfolio investments, partly because of the drop in sterling. The current account deficit for last year was £8.6bn, £2.9bn lower than provisional estimates of £11.5bn published in March. In 1991, the deficit was £7.7bn.

Although final quarterly figures for 1992 are not yet available, economists suspect that the improvement in performance came from the automatic boost to income earned in foreign currencies that followed the pound's exit from the European exchange rate mechanism last September.

The latest figures are likely to prompt revisions to economists' pessimistic predictions for the 1993 current account deficit. The average forecast among economists is for a deficit of £16.4bn and in March, the Treasury forecast a deficit of £17.5bn.

"This is not really a change in the UK's underlying performance," said Mr Kevin Gardiner, UK economist at SG Warburg Securities. "But nor is it necessarily a transient change, provided the pound remains relatively weak."

The Treasury said the figures were encouraging in that they showed a much smaller deterioration in the current account between 1991 and 1992.

Earnings from interest, profits and dividends registered a surplus of £5.8bn compared with only £320m in 1991. The overall surplus on invisible earnings - which include services, interest, profits, dividends and government transfers - was £4.8bn, compared with £2.6bn in 1991.

The trend in visible, or merchandise, trade remains gloomy. The visible trade deficit was £13.4bn last year, compared with £10.3bn in 1991.

Observer, Page 11

Prison cheese factory seeks pizza the action

Alan Pike visits an unusual commercial venture at a Kent prison

HARRODS, the Savoy, the Ritz and many other leading London stores, hotels and restaurants will this week start taking their supplies of mozzarella and ricotta from the prison service.

In one of the most ambitious commercial ventures ever undertaken by the prison service in Britain, women prisoners at East Sutton Park open prison, Kent, have been trained in cheesemaking.

Each day they will turn 12,000 litres of milk from cows on the prison farm into one tonne of mozzarella and half a tonne of ricotta.

The scheme brings together a number of features that officials hope will increasingly shape the future of the prison service – public-private sector partnerships, market-rate wages for prisoners and training for real jobs that may help reduce the re-offending rate.

The prison's cheesemaking activities will take place in conjunction with Mr Edgardo Pasquali, an Italian businessman. The prison service will sell the cheese to Mr Pasquali whose company, Mama Mia, will distribute and market it.

Prisoners employed on the scheme will work in a realistic workplace environment and earn around £130 per week, compared with an average of about £6 in traditional prison workshops.

They will pay tax and board and lodging allowances from their wages, and much of the rest will accumulate for their release. Women had to submit written applications to join the project, and were selected by interview.

Mr Derek Lewis, director general of the Prison Service who launched the scheme at East Sutton Park yesterday, said prison could be very debilitating, taking away people's sense of responsibility.

The new enterprise should enable prisoners to regain responsibility for their own lives, and help them live in a law-abiding way after their release.

He said the venture showed the value of partnership with the private sector. The Prison Service would not have had the marketing, distribution or technical skills to launch it alone.

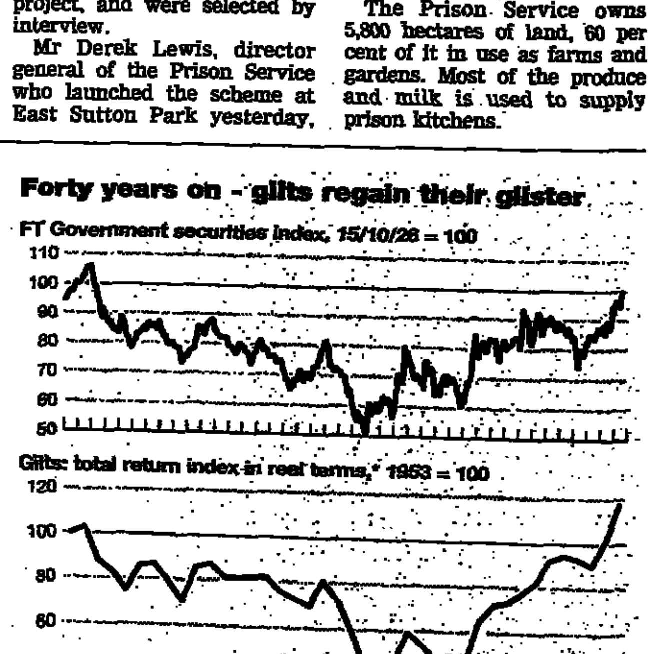
Mr Pasquali said he believed the quality of farming conditions at East Sutton Park would enable the prison to produce some of the best mozzarella and ricotta in Europe. Only high quality outlets, including 250 leading London restaurants, would be supplied.

The Prison Service owns 5,800 hectares of land, 60 per cent of it in use as farms and gardens. Most of the produce and milk is used to supply prison kitchens.

Back to the Fifties for gilt-edged yardstick

By Sara Webb

Forty years on - gilts regain their glister



Source: FT/BZW *Gross income reinvested, adjusted for inflation

ONE of the oldest yardsticks of the gilt-edged market is on the threshold of a level not seen for nearly 40 years. The FT Government Securities Index, a basket of UK government bonds of various maturities, closed yesterday at 99.97, up 0.17, reflecting the recent strong rally in the gilt market.

The index last touched 100 on April 15 1955, when Sir Anthony Eden was prime minister and Mr Rab Butler was chancellor. Based at 100 in 1926, it reached a high of 127.4 in January 1935 and plummeted to a low of 49.18 in January 1975, in an era when inflation exceeded 20 per cent.

The fall in inflation and the decline in UK interest rates in the 1990s have prompted a strong rally in gilt prices. Base rates have fallen from 10 per cent to 6 per cent in the past year. Since the shake-up of the ERM, further cuts are expected, with Mr Roger Bootle, chief economist at Midland Global Markets, predicting that base rates could fall below 4 per cent by the end of the year.

With the development of more specific gilt market indices, the Government Securities Index appears to have lost some of its following. The FT Actuaries All-Stocks index has become a more popular measure. One gilt-edged market-maker pointed out that pension and life funds tend to measure the performance of their portfolios against gilt indices with specific maturity dates.

Bonds, Page 16

German shareholders are starting to reject their boards' traditional lack of accountability, writes **David Waller**

A shock to the system

The depth of the German recession is prompting unprecedented questioning of the country's system of corporate governance.

It is the equivalent of more formalised debates in the US and the UK that were touched off after a series of corporate failures and scandals highlighted weaknesses in the "Anglo-Saxon", stock market-centred form of capitalism.

In the UK the soul-searching led to the publication of a code of good practice, which was issued last December by the Cadbury committee on corporate governance. In the US a number of financial institutions have taken the initiative to change the management of companies that they believe have been performing poorly.

The effects of the debate in Germany have been varied.

There has been increased shareholder activism, notably by Professor Ekkehard Wenger, of the University of Würzburg, who was recently ejected from the annual meeting of Daimler-Benz after he made a vehement attack on the company's management.

Calpers, the large US investment fund, intervened at the annual shareholders meeting of RWE, the German utilities-based conglomerate. The fund's spokesman condemned the naïveté of the German company for expecting to be able to raise cash in international capital markets at the same time as having an anachronistic capital structure restricting shareholders' voting influence.

A further symptom of the corporate governance debate is the willingness of managers to think the unthinkable. For example, board members of Deutsche Bank and Daimler-Benz have hinted that the bank should reduce its 28 per cent stake in the industrial group. The two deny any concrete plans for such a move, but the fact that the issue is being talked about in public casts doubt about one of the most stable relationships in German capitalism. Deutsche has owned the stake since 1926.

Meanwhile, German managers pepper their press conferences with buzzwords such as "investor relations" and "shareholder value", which imply that the interests of long-suffering shareholders are beginning to be taken more seriously. And a highly critical book about German management entitled *Nieten in Nadelstreifen*, or *Nitwits in Pin-stripe Suits**, has been at the top of bestseller lists for months, its note of self-doubt capturing the mood of the times.

Critics of the system are united in believing that senior managers are shielded from the pressure to perform – at least as measured by reported profits and other financial criteria such as dividend growth.

With the exception of Krupp's purchase of rival steel group Hoesch last year, or Pirelli's ultimately unsuccessful attempt to acquire control of Continental tyre company, hostile takeovers are rare.

Managers sit behind legal barricades, which guarantee that they cannot be dislodged from office. For example, devices restrict shareholder voting rights (*Stimmrechtbeschränkung*), and special types of non-voting shares, such as the "vinculated" shares common in the insurance sector, allow management the right to choose which shareholders acquire votes on their holdings.

Critics are unhappy with two other characteristically German features:

● The two-tier board structure. Joint-stock companies are by law required to appoint a supervisory board (*Aufsichtsrat*) and a management board (*Vorstand*). The management board is responsible for the day-to-day management of the company, while the supervisory board, comprising representatives of both shareholders and employees, oversees management performance according to its own criteria. It also appoints senior management and, in some circumstances, has the right to veto important commercial decisions.

● Strong relationships between Germany's bigger banks and large German companies. Those relationships are expressed via direct industrial holdings and via influential positions occupied by bankers on industrial companies' supervisory boards. For example, besides Daimler-Benz, Deutsche is reputed to have stakes of at least 10 per cent in more than 80 large German companies. And the chief executive of Deutsche is traditionally chairman of the Daimler supervisory board. Such relationships lead to a flow of information between banks and companies from which ordinary shareholders are excluded.

"It is the most Japanese system outside Japan," says Roland Berger, head of the leading German managing consultancy that bears his name. "The German corporate governance system is part of the country's consensus society. It is a system of controlled behaviour where people don't do unconventional things.

"It ensures that radical and short-term-oriented decisions and moves cannot be expected from German management and supervisory boards. Companies are much more long-term."

But has the stock market's lack of pressure on management deepened the impact of Germany's recession? Critics such as Prof Wenger argue that the security and cosiness of the German system blinded companies to signs of impending recession last autumn, with the result that wage rises were too high.

While not so extreme as Wenger, Berger concedes that the German system "means that the factor capital is not employed in the most rational way. . . managers are not under enough pressure to make their assets sweat. The interests of shareholders have a lower priority than issues such as the development of long-term technology, labour relations, consumer responsibility and so forth".

Others strongly disagree, citing the long-termism that the system encourages as a central reason for the success of the German economy in the decades since the end of the second world war.

Walter Seipp, chairman of the supervisory board of Commerzbank, believes German managers' freedom from the threat of takeovers is a strength.

"It has been argued that takeovers have helped strengthen corporate US," he says. "On the contrary. There are many companies which have been decisively weakened by successive leveraged takeovers and by the need to fight off unwelcome bids. I am very happy that we have not had this wave of takeovers in Germany."

Seipp accepts that many German companies are in need of a degree of "cultural revolution". But he rejects suggestions that the absence of a "market for corporate control" has weakened boardrooms. "I don't know any other European country which is so open in terms of chances to get to the top of management. Neither family nor school nor university have any influence on this. Getting into the corporate elite is based on performance and nothing else.

"I fear that those who talk about shareholder value are those who simply want to make a fast buck."

Whether that remark is justified or not, there is certainly reason to doubt whether the current corporate governance debate poses a serious threat to the system.

There is little chance that a wave of takeovers will force German companies to restructure. Research from two UK academics shows that 86 per cent of all listed German companies have a single shareholder of 25 per cent or more, providing an effective block to takeovers**.

Moreover, recent economic evidence suggests the worst of the German recession may be past. The stock market has reached new highs amid optimism that companies and unions have agreed on the cost-cutting measures to restore the competitiveness of German industry, without the threat of takeovers. If the economy does restore its former economic might the questioning about the efficacy of the German system will fade away.

**Nieten in Nadelstreifen by Günter Ogger, reviewed in the FT on May 20.*

***German capital markets: corporate control and the obstacles to hostile takeovers: lessons from three case studies. By Julian Franks and Colin Mayer of the London Business School and the University of Warwick.*

Learning from past mistakes

Christopher Lorenz explains how companies gain from self-analysis

Before Boeing started to develop its 757 and 767 aircraft, a group of senior employees spent three years on "Project Homework", comparing the managerial failures and successes of past development processes. They produced hundreds of recommendations. Several members of the team then transferred to the 757 and 767 start-up projects.

Guided by this experience, Boeing produced the most problem-free product launches in its history.

Such systematic self-analysis of a company's past experience – especially its mistakes – is unusual in industry. But it is one of several essential "building blocks" for any company which wants to become a "learning organisation", according to David Garvin, a professor at the Harvard Business School.

Garvin's advice is delivered, in a long article in the latest Harvard Business Review*, at a time when the learning organisation has become one of the most popular concepts in management on both sides of the Atlantic. But the Harvard professor certainly has plenty of practical advice on what he calls the "three Ms" of learning organisations.

● Meaning. Other authors differ widely over the definition of a learning organisation – for instance over whether behavioural change is required for learning to occur. Garvin defines it as one which is "skilled at creating, acquiring and transferring knowledge, and at modifying its behaviour to reflect new knowledge and insights".

● Management. His operational "guidelines for practice" praise Xerox for its systematic problem-solving; US General Electric, General Foods, Chaparral Steel and Allegheny Ludlum for various experimental methods; IBM (in the 1960s), Boeing, BP, and the Arthur D Little consultancy for learning from past experience; Digital, AT&T and Xerox (with benchmarking) for learning from others; and GTE, Time Life and the PPG Glass Company for transferring knowledge throughout their organisations through the rotation of personnel and other means.

● Measurement. Ways of assessing an organisation's rate and level of learning to ensure that gains have been made. Well-known techniques such as "learning curves" and "experience curves", which relate learning to a company's or industry's rising production volume, are incomplete, Garvin points out. They focus on only a single measure of output, cost or price. They ignore learning that affects other competitive variables, such as quality, delivery or new product introductions. They ignore possible "drivers" of learning, such as new technology or the challenge posed by competing products. And they say little about the sources of learning or levers of change.

Instead, Garvin advocates use of "the half-life curve", a measure originally developed by Analog Devices, a US semiconductor manufacturer. This measures the time taken to achieve a 50 per cent improvement in any specified performance measure, for instance defect rates, on-time delivery or time-to-market.

Garvin also advises companies to use a range of auditing techniques to track progress through three overlapping phases: cognitive learning (the expansion of knowledge and new patterns of thought); behaviour change; and performance improvement.

For all this to work, companies should start by providing more time and skills for employees to reflect, analyse and innovate; by breaking down internal boundaries and external ones; and by creating "learning forums" on specific topics, from the changing competitive environment to the health of cross-functional processes.

For many companies, Garvin's list of tips may prove quite a mouthful. But, as his examples of best practice show, they are worth digesting.

**Building a Learning Organisation. HBR July-Aug 93. Reprint 93402. Fax: 617-495-6985.*

Continental comeback

Interest rate cuts could relieve pressure, says **Vanessa Houlder**

Could the turmoil in Europe's currency markets mark a turning point for Europe's stricken property industry? Optimists believe that, if the upheaval results in interest rate cuts, it could relieve some of the pressure on Continental property markets.

Some relief is certainly needed. In the three months to June, average capital values fell by more than 3 per cent; in the year to June, values fell by 18 per cent, according to a survey of Europe's 13 largest property markets by Richard Ellis, the chartered surveyors.

It is tempting to draw parallels with the UK market following sterling's withdrawal from the exchange rate mechanism last September, when the fall in sterling and the reduction of interest rates paved the way for a change in sentiment towards commercial property.

It raised the prospect of a revival in tenant demand; it relieved the pressure on property company balance sheets; and it encouraged investors to switch out of bank deposits into higher-yielding property.

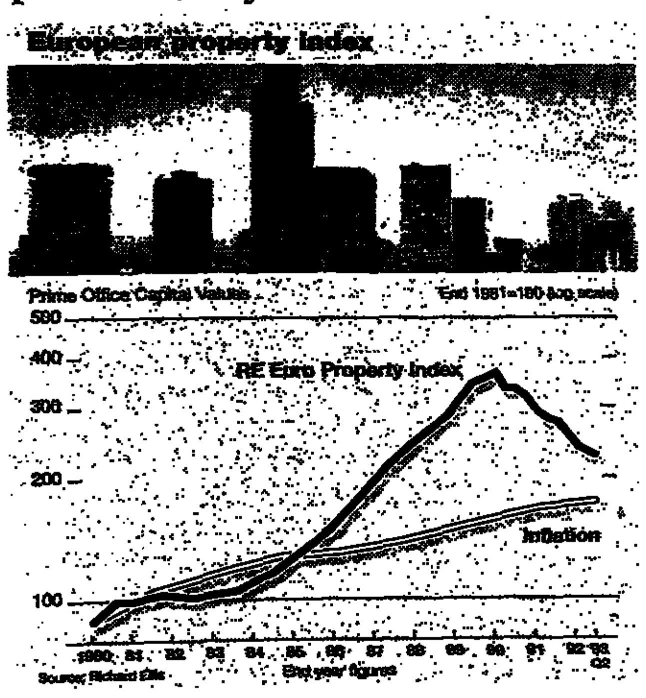
The comparison with the UK should not be taken too far, however. For one thing, most countries in Continental Europe appear to be unwilling to make sweeping cuts in interest rates and the value of their currency. For another, lower interest rates would have less impact on property companies on the Continent, where there is a greater use of fixed-rate finance for property.

Nonetheless, there is little doubt that high real interest rates have damaged Europe's property markets. Across Europe, vacancy rates are continuing to rise, albeit from a low base, in most Continental cities. Development activity is very limited. Investors are generally wary, although they are beginning to return to some markets such as London.

In general, investment yields are relatively stable, but rents are falling sharply. But the performances of individual markets vary significantly:

● The Belgian property market has, until recently, performed strongly. But recently a downturn in demand from tenants has pushed vacancy rates up to an average of 6.5 per cent, according to Richard Ellis. Rents have fallen by about 5 per cent to BFr8,750 per sq m a year. However demand from investors has held up, which has pushed investment yields down slightly to about 7.5 per cent.

European property index



● The French property market demonstrates some similarities with that of the UK, with a serious oversupply problem in Paris of rental property, along with high levels of bank borrowings and bad property debts. Prime yields have risen from less than 4 per cent to 6 per cent, according to Richard Ellis. Rents, which stand at about FFr3,600 per sq m a year, are still falling.

● Germany's deepening recession has sent rents down across the country, with the exception of Düsseldorf, according to Jones Lang Wootton, the chartered surveyors. Investment yields for prime property have, however, remained steady as investors, faced with declining interest rates, have redirected funds into property.

● Italy's political and economic crises have depressed the property market even though interest rates, at 9 per cent, are at their lowest since 1976. Occupier demand in the office market is low and rents are about 20 per cent below their peak.

● The Netherlands' property market is relatively stable. Despite declining economic growth and a slight drop in letting activity, rents have held up well and there have even been modest increases in Rotterdam and Utrecht, according to Jones Lang Wootton. Investment interest, particularly from foreign investors, has increased.

It is unclear whether the Dutch stand to gain or lose from the crisis in the ERM. While it may try to lower interest rates, the guilder's continued link to the D-Mark in the old 2.5 per cent band may put exporters at a disadvantage.

● The Spanish property market is declining rapidly. Rents are falling sharply. They have dropped by 13 per cent to Pta3,500 per sq m a month in Madrid and by 14 per cent to Pta3000 per sq m a month in Barcelona, according to Richard Ellis. Central Madrid has a vacancy rate of 6 per cent, while on the outskirts the vacancy rates rise to as much as 36 per cent, according to Knight Frank & Rutley España, property advisers.

● In Portugal, rents have fallen by 12 per cent in the last three months to a maximum of Es5,750 per sq m a year, according to Richard Ellis.

Prime yields in Lisbon have risen to about 10 per cent.

● In Ireland, commercial property rents are still stagnant. But falling interest rates in recent months are encouraging private investors back into the market, even though institutions remain net sellers.

● The UK is still working off the ill effects of the surge in credit and development at the end of the 1980s. However, there is increasing evidence that the market has turned the corner.

The combination of a fall in yields and the slower rate of decline in rental values has started a revival in capital values, which rose by an average of 0.5 per cent in June, according to the Investment Property Databank.

In some respects, the fundamental problems faced by the Continental property markets are less severe than in the UK or the US. Stricter development controls and less bank lending have limited the extent of surplus property in most countries.

Over the next four years, average rental growth will remain below inflation in Europe's top 30 cities, assuming real growth in GDP of 1 per cent, according to a forecasting model devised by Hillier Parker, chartered surveyors.

Unless the crisis in the ERM results in a far-reaching change in economic policies across the Continent, the prospects of a swift recovery in property markets are poor.

Changes in property values (%)

	Retail		Office		Industrial		All	
	Year to Jun 93	Mnth of Jun 93	Year to Jun 93	Mnth of Jun 93	Year to Jun 93	Mnth of Jun 93	Year to Jun 93	Mnth of Jun 93
Rental growth	-4.0	-0.2	-16.5	-1.5	-11.6	-1.1	-10.8	-0.9
Capital growth	-2.5	0.9	-10.5	0.7	-8.9	0.8	-8.2	0.5
Total return	5.5	1.5	-1.3	0.9	3.0	1.1	2.8	1.2
Current yields	8.0		10.1		11.3		9.8	

Source: IPD Monthly Index. Investment Property Databank

LEGAL NOTICE

In the High Court of Justice Chancery Division — No. 005603 of 1993

IN THE MATTER OF LONDON AMERICAN GROWTH TRUST PLC (formerly London American Ventures Trust Plc)
AND
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice, Chancery Division dated 28 July 1993, confirming the reduction of the capital of the above named Company as at 23 June 1993 approved by the Court, showing the several particulars required by the above named Act was registered by the Registrar of Companies on 30 July 1993 and a Certificate of Registration by the Registrar of Companies was issued on 4 August 1993.

Messrs Gouldens of 22 Tudor Street, London EC4Y 0JJ
Solicitors for the above named company
Dated: 5 August 1993

PEOPLE

BT moves Earnshaw to US

Chris Earnshaw has been appointed to head the $1bn joint venture between British Telecommunications and MCI, the US operator, launched with great fanfare in June.

The joint venture, for which BT is putting up most of the cash, is designed to fight AT&T, the US giant, in the emerging global market for providing "one-stop" advanced telecommunications services to the world's multinationals.

It still has to be christened, but as well as a chief executive, it now has a home – Washington, a clear signal of BT's determination to expose its offspring to the dynamic US telecoms market at birth.

At only 39, Earnshaw's ascent through BT has been meteoric. Joining the Post Office (as it then was) straight from school in 1972, and earned a physics degree the hard way as a mature student at Sheffield University.

His early career was in network modernisation. In 1988 he was given responsibility for BT's technology and systems engineering for its network, and a year later appointed Director Networking.

His current job, managing director of Worldwide Networks, has given him a key role in planning BT's global strategy.

Earnshaw formally takes up the post on the formation of the new company, sometime next year. But he will be starting the work as soon as he gets back from a short holiday – destination unknown.

Non-executive directors

Colin Fitch, *one of the more* permanent features in the rough and tumble world of City corporate finance, is bowing out. He plans to retire as a corporate finance director at Kleinwort Benson Securities when he reaches 60 at the end of the year and has picked up his first non-executive directorship by joining the board of Manders, the Wolverhampton-based paint-maker.

Roy Akers, Manders' chief executive, says that he has known Fitch for quite a while but got to know him particularly well during last year's takeover battle. Fitch was a member of the Kleinwort Benson team which helped Manders defeat the unwelcome £86m bid from Kalon, a rival paint-maker.

After working as an assistant secretary at the Stock Exchange, Fitch joined stockbrokers Rowe and Pitman where he worked closely with the late Bill Mackworth-Young, one of the big names in the corporate finance field 20 years ago and who later headed Morgan Grenfell. Fitch was head of corporate finance at Rowe and Pitman between 1968 and 1976 and was heavily involved in bringing two well-known names to the stock market – Pilkington in 1970 and J Sainsbury in 1973.

During the oil price boom of the mid-1970s Fitch spent three years as managing director of Wardley Middle East, the Hong Kong Bank's Dubai merchant bank, before returning to the City in 1980 to join Grieveson Grant which was later taken over by Kleinwort.

■ Lyndon Rees, a director of Larpent Newton & Co, at LOUIS NEWMARK.
■ Ted Watts, a former president of the RICS and chairman of Watts & Partners, at WSP HOLDINGS.
■ David Kleeman has left BRIDGEND GROUP.

Electronic switches

■ John Crowe, former chief executive of Sieger Ltd, has been appointed md of ASCOM (UK) HOLDING Ltd.
■ Chris Gill has been promoted to director of the information communications division and to the main board of OKI EUROPE.
■ John Green has been appointed md of COMPUADD's UK operation on the resignation of Robert Todd as md and European general manager; he is succeeded as sales director by Neil Carr-Jones.
■ Peter Alden has been appointed md of CAMBRIDGE CABLE, the Comcast & Singapore Telecom joint venture. British-born, he has worked on both sides of the Atlantic, starting his career as a design engineer with Marconi; he has been md of Videotron UK, an executive vice-president of Warner Cable in New York, md of Westminster Cable, and joins from Chase International in Connecticut where he was ceo of Polish Cable Television.
■ Reid Meintzer (below left) has been appointed UK md of IPC Information Systems; he succeeds Jim Fish who becomes chief financial officer of IPC Information Systems Inc.
■ Ian Ryder (below right) has been appointed marketing director for UK operations of CSC EUROPE, the European affiliate of Computer Science Corporation.

■ Mike Swalwell, former merchandising director for Digital Equipment Corporation, has been appointed UK md for DELL COMPUTER CORPORATION.
■ David Allen, formerly vice-president of marketing at Madge Networks, has been appointed director of market development at CISCO SYSTEMS EUROPE.
■ Andrew Wood, formerly financial director at Racal-Datacom, has been appointed group financial controller at RACAL ELECTRONICS.
■ Charles Cox, Eric Pavyer and Alwyn Welch have been appointed directors of HOSKYNS, part of Cap Gemini Sogeti.
■ Andrew Driver, previously a director of Tower Hill Services, has been appointed business director at SHERWOOD COMPUTER SERVICES.

The Bank settles on a panel

The Bank of England has named a panel of the great and the good to consider the best way forward for its CREST project, the successor to the unfortunate Taurus scheme.

CREST, which is an acronym for nothing at all, aims to speed the period for settlement of equities transactions down to at least five days and smooth the way for paperless share trading.

The Panel, to be chaired by Pen Kent, Associate Director at the Bank of England, includes the great and the good, and perhaps more importantly, representatives of parts of the industry with the greatest commercial interest in the project.

Among the members are Brian Finnegan, head of settlement operations at the London Stock Exchange – which, Kent has suggested, may have little role to play in securities settlement post-Crest. Also on the Panel is Ralph Walrond, chief registrar at Lloyds Bank Registrars which has the lion's share of the UK share registration market.

Other members include Terry Pearson, senior securities adviser at Royal Bank of Scotland Securities Services, the largest independent custodian for UK pension funds, Alistair Reid, director of custody at Barclays Bank, Hector Sants, vice chairman at UBS Phillips and Drew, Scott Dobbie, joint chairman of NatWest Securities, Andrew Palmer, finance director at Legal and General life and pensions division, Geoff Newman, vice president at one of the world's largest global custodians, Chase Manhattan, and Mike Jones, director of Capel-Cure Myers Capital Management and a member of the Private Client Investment Managers and Stockbrokers Association.

Second-hand images of the human body

Lynn MacRitchie reviews the work of Marlene Dumas at the ICA gallery

The chimera that artists, especially younger ones, no longer paint, or if they do they certainly do not paint people, hovers over much current chatter about the visual arts. It is, of course, so much nonsense. The human figure is still the chosen subject of many young painters, although they may not approach it in the traditional manner of, say, Lucien Freud, whose lifetime contemplation of the model in the studio will be celebrated at the Whitechapel Gallery this autumn.

A considerable group of young artists in the US such as Raymond Pettibon or Mike Kelley (some of whom were represented at the excellent "Irony & Ecstasy" show at the Salama Caro Gallery in London earlier this summer) are using drawing and painting to explore the representation of the figure. Their source material, however, is much more likely to be found in the detritus of contemporary media images of the body, porn magazines, comic books and advertisements, than in the life class.

In Europe, the leading exponent of this school of figuration is Marlene Dumas, whose powerful and disturbing work can now be seen at the ICA.

Like many painters of the human form before her (Degas or Manet to name but two), Dumas chooses to work from photographs. Unlike them, she works exclusively from photographic images, either taken by herself with a Polaroid camera or found in the pages of books, newspapers or magazines. These make up a store of images from which she selects, exploring their possibilities in series of oil paintings and watercolour drawings. "It is not the relationship between painting and photography that is the most prominent question today," she explains. "The fact is that the photographic, not photography as a specific medium but as a particular mode of signifying, is affecting all the arts at the moment."

Her subjects, even before she begins to work on them, have already been through one process of transformation, leaving her free to remake them anew in paint, or, as she expresses it, "My people were all shot by a camera, framed, before I painted them. They didn't know I'd do this to them..."

The earliest works in the show are portrait heads, of family, friends and strangers, painted in light washes of intense colour. Titles are important. "Evil is banal," 1984, shows a young woman whose orange gold hair stands out in Bonnard-like contrast against a pale pink cheek and purple shadowed shoulder. A large nude of 1987 titled "The Particularity of Nakedness" is the only male example in a series of studies of a horizontal, naked figure, and the only one to function as a portrait, whose subject, echoing Manet's "Olympia", returns the viewer's stare.

Others show a naked woman, lying prone across a table in "Waiting for Meaning" 1988, or, in "Snowhite and the broken arm" representing the artist, prone, helpless, polaroids scattered on the floor, camera clutched in her useless hand, unable to shoot back at the greedy gaze of seven small boys. The next series is scenes of children, photographed at school, in obedient lines or groups. "The Dance", 1992, shows four little girls, seen from the back, hand in hand before an empty, threatening space. Little girls remain a dominant theme in her later work, while "The First Humans" 1991, portrays four new born babies in studies the size of full length adult portraits. Her latest works are based on photographs from porn magazines.

At Documenta 9 in Kassel last year, Dumas filled a tiny turret room with monochrome watercolour sketches of young girls, a series based on the story of Salome. After the wide installation filled spaces below, their intimacy was a shock, like finding oneself suddenly naked in front of strangers, a state which although inadvertent may provoke harm. That is the condition of Dumas' subjects. Caught first by the camera, then by the painter, something indeed has been "done" to them. In the process of their double objectification, they have been transformed. These babies are not innocent, but redolent with the possibility of evil. These children line up smiling in the playground and we see gas chambers. The stained sheet held out labelled "Evidence of Virtue" signifies its opposite, innocence betrayed. The "Peer Group" child exposed naked by her playmates horrifies us with our own thoughts of abuse.

'Liberty', 1992, by Marlene Dumas

All this is done with the simplest of means – naked bodies suggested by a swift wash of watercolour in a manner which recalls the grace and economy of Beuys, a use of oil paint in which sombre strokes of grey and blue are pulled into meaning by vibrant details – the scarlet slippers in "The Window", 1991, or the shocking pink mouth of "Girl with Lipstick", 1992. Dumas' painterly exploration of these second-hand images of the body reminds us that all human horrors have already been committed, recorded and wait only to be repeated, by people just like ourselves. Only the porno performers seem innocent, the watercolour sketches of their endless, wearying display finally returning their bodies to the mystery of the unknowable.

Marlene Dumas, "Miss Interpreted", July 28- September 19. Institute of Contemporary Arts, The Mall, London, SW1Y 5AH.

Theatre/Malcolm Rutherford

Here

Here is a sample from *Here*. It comes from the opening scene when a young couple is considering renting a flat in what seems remarkably like Cambridge.

Phil. I think we need to think about this.
Cath. We *are* thinking about it.
Phil. We *are* thinking about it?
Cath. Aren't we?
Phil. What – seriously *thinking* about it?
Cath. Not *seriously* thinking about it. Just thinking about it.

And so it goes on. The trouble with Michael Frayn's new play is that we have been here before. This is the land of linguistics and the meaning of meaning. Some of the exchanges are even more banal or, if you like, more profound: for example, the endlessly repeated "What?" "Nothing" "You mean . . ?" "No". Odd how such educated people can become so inarticulate, which I suppose is the point.

Is it funny? Yes, a bit, intermittently. It *is* curious how the English language allows phrases like "as a matter of fact" to have two meanings: one a casual remark, the other an attempted statement of truth. The same goes for "as it happens".

As it happens, in fact, quite the best parts of the play come when the linguistic cleverness is abandoned and Phil behaves like a spoiled child or an ordinary bullying male rather than the over-trained Cambridge post-graduate, which one assumes is what he is. There is rather a touching scene where he and Cath wear the same sweater and try to behave as one person; another where Cath shows her prowess at wrestling.

The best part of the lot, however, belongs neither to Iain Glen's Phil nor to Teresa Banham's Cath, but to Brenda Bruce as the landlady. Ms Bruce talks as if she has never heard of Wittgenstein, and is all the better for it. Her comic role is to enter whenever the couple is about to make love. Yet later on she has a long speech of her own about her late husband Eric. She shows that she knows all about the concept of space and which side of the bed is whose from her own marriage: there is no need to philosophise about it. Ms Bruce has a wonderfully graphic line about Eric "putting on a special holy look like Jesus picking up the cross" when he had to get out the tool box to mend the door handle only to find there were no screws in the tin. When Frayn writes like this, he is a very effective playwright.

There is another oddity about *Here* which one can only take to be deliberate. The subject of finance is never mentioned, not even when the couple are thinking about moving into the flat and at the end of the play move on to another with an extra room. No source of income is ever divulged. One knew that Cambridge was abstract, but to omit money altogether is surely to miss a trick or two in the writing. There might at least have been a theory about it.

Towards the end, there is an attempted moment of drama when Phil suddenly breaks down and says "Oh Cath, I'm so miserable". No matter; he is quickly back in the old linguistic routine. The theme must be his intellectual boredom, but the problem with intellectual boredom is that it is quite difficult to portray on stage without being – well, you know what I mean. Michael Blakemore directs.

Donmar Warehouse. (071) 867 1150

Alastair Muir

Iain Glen and Teresa Banham

Theatre

Godspell

When the 1971 rock musical *Godspell* was new here, I was too sophisticated to go to see it. Now that my brow has dropped a bit, I have been looking forward to catching up with a show that so moved many of my generation. But you would have to have your brow around your ankles to take this revival seriously. It is pointless, it is insincere, its Jesus story here is virtually stripped of plot, and Jesus himself becomes (a) a joyless wimp and (b) a pontificating creep.

And – worst crime in a musical – the songs are sold short. You hear spirituals without spirit, soul anthems without soul, rock numbers without rock. Music and text have been heftily revised. The show wants to recapture the feeling of 1971, yet also wants to be tuned in to Now. (Someone even says "Fatted calf? Oh – Paul Gascoigne.") Everyone onstage is dressed in the way-in Carnaby Street gear of pre-'71 fashion (the nastiest bellbottoms I've seen in 20 years), but one of them makes a joke about wearing Reeboks.

The disciples keep re-telling Jesus's parables in various showbiz guises. The Prodigal Son story is like a *Crimebusters* report; and the story of seed cast upon stony, weedy, or fertile ground is re-told like an episode of *Blind Date*. Usually these comic turns seem only to send up Jesus's original stories. Yet at least they are lively, whereas Jesus himself is a drab. When he explains to "Cilla" that she has missed the point of *Blind Date*'s seed parable, you want the ground to swallow him up.

Cilla, as it happens, is imitated with happy panache by Gemma Craven, who is also the only interesting singer in the cast of 12. As soon as she starts to sing "Day by Day," you know that here is a properly supported voice, individual in timbre, singing calmly and steadily, but with a simple authority that actually sounds heartfelt. (Pity about her hairdo.) However, the way the show wastes her talents is beyond belief. In both that number and "By My Side," other voices soon drown hers.

The way that other singers have been encouraged to coarsen famous songs like "Bless the Lord" and "Turn Back, O Man" is dismal. Andy Crane (he of children's TV) tries, not very hard, to be Jesus; and his singing is grey, limp and often flat. In the Garden of Gethsemane, he asks "What? Can none of you stay awake one hour with me?" Answer: if we can, it's no thanks to you, dear. James Gaddas (Judas) has more sheer presence, though no more persuasiveness. In a largely speaking role, Mark Greenstreet displays rather more force and sexiness than you might have believed from his work on *Trainer*.

But no-one could really to be said to act, and some of the cute interplay among the ensemble is embarrassing. Both the director, Lindsay Dolan, and the musical director, Steve Brooker, do this show no service; but since Stephen Schwartz, the original composer, has abetted them with new lyrics, he must take blame too.

I wonder if even in 1971 the show honestly brought off its attempt to make the Word of God go down like a rock concert. Several of its songs are written for real singing; but I remain suspicious of all that 1960s God-is-for-real-man. The most interesting feature is the photos of (oh yes) Jeremy Irons in the original London staging. Because the casting and dialogue have been adjusted to ingratiate an audience steeped in modern TV, this Barbican revival will have some limited success. Nothing, however, about the first-night ovation was spontaneous.

Alastair Macaulay

At the Barbican Hall until August 30

Alastair Muir

James Gaddas, Gemma Craven, Andy Crane and Mark Greenstreet

Ballet/Clement Crisp

Romeo and Juliet

We are, like it or not, celebrating *Romeo and Juliet* year in London. The Kirov ballet has just shown us its rickety version of the Lavrovsky original. Birmingham Royal Ballet brought its staging of MacMillan's choreography to Covent Garden on Wednesday (more of this anon). Next week English National Ballet offers the Ashton production on the South Bank. And, unsurprisingly, the Royal Ballet will also present the MacMillan *Romeo* as the autumn season begins at the Royal Opera House. These tiresome facts indicate the extent to which ballet companies now rely upon the tried and true – and predictable – to hold an audience. The triumph of the obvious is the death of repertory.

But I record with pleasure that the admirable BRB triple bill last week of *Job*, *Choreartium*, *Concerto*, brought an enthusiastic public to the Opera House: there was a sense of excitement and interest which recalled happier and more adventurous days of three decades ago when *Swan Lake* and *Romeo* were not the only works the public seemed able to enjoy.

Birmingham acquired its staging of *Romeo* last year. The new designs by Paul Andrews are handsome, as I reported at the first performance, and the lighting by Hans-Ake Sjoquist is exemplary. The problem when this version was first mounted, and it is one which I still noticed on Wednesday night, has to do with the density, even the scale, of the company performances. This is a production in which interpretations look smaller, lighter, than those we know with the Royal Ballet. Some BRB readings are excellent: I think Anita Landa's Nurse superb as a portrait of a jolly, fussy, loving old servant; Alain Dubreuil's Laurence is a real priest – he knows how to give people a blessing – and, as always with this rare artist, believable at every moment. But many of the secondary roles looked eager where they should be weighty with emotion, and choreographic outlines were diminished. Birmingham's artists, so secure as an ensemble and so ready for any challenge, here rush every fence. MacMillan's dances need to be explored more fully.

But the heart of the ballet – which is Juliet's heart – beat strong and true in Marion Tait's interpretation. Tait is our finest dance actress, incapable of lying in any role, showing us its secrets through playing clear, potent. There is, in everything, a lovely modesty to her work. Nothing is done for vain effect. She serves her character, as she has served her art and her company, with entire sincerity, and her performances are memorable because of this. Dramatic insight is matched by a physical intelligence. Sir Kenneth MacMillan gave her roles that she illuminated – I wish BRB would revive *Playground*, in which her anguish still haunts me – and her Juliet is in the very best traditions.

Juliet's opening moments with the doll are difficult, and on this occasion, too skittish. Thereafter, the ballet is grandly Tait's. The ecstasy of first love, youthful passion, and – most poignantly – the bravery and resignation of the last act, were infinitely touching. A sudden blaze of temperament before she yielded to Paris; the terrible silent scream as she realised Romeo is dead, were moments uniquely indicative of Marion Tait's gifts. It was a wholly truthful interpretation. Her Romeo was the guest artist Robert Hill, giving an honest and attentive account of himself. The score sounded very well from the Royal Ballet Sinfonia under Philip Ellis.

Birmingham Royal Ballet plays *Romeo and Juliet* with varied casting until the end of this week

INTERNATIONAL ARTS GUIDE

The main art attraction in Paris this autumn will be the exhibition of French masterpieces from the Barnes Foundation, opening at the Musée d'Orsay on September 6. The show, which has already been seen in Washington, comprises 80 of the finest impressionist, post-impressionist and early modern paintings from the collection of Albert Barnes (1872-1951), a Philadelphia art lover who amassed his fortune through the manufacture and marketing of pharmaceutical products.

Included in the exhibition are Renoir's grand-scale The Artist's Family (1896), the largest and most complex version of Cezanne's Cardplayers (1892), Seurat's pointillist masterpiece Models (1888), Acrobat and Young Harlequin (1905) from Picasso's Rose Period and Matisse's The Joy of Life (1906), a sensual depiction of an earthly paradise. Another feature of the exhibition is Matisse's tripartite mural The Dance (1933), commissioned by Barnes to fit into the lunettes above the French windows in the main hall of the Barnes Foundation headquarters. The exhibition runs in Paris till January 2, before moving to the National Museum of Western Art in Tokyo.

Paris will also host an exhibition of exquisitely wrought goldsmiths' work by the firm of Fabergé, which - as much as Marie-Antoinette's Sèvres porcelain milk pails - has always exemplified the doomed refinement of the ancien régime. The show comprises toys for the rich produced in Russia by the company of Carl Fabergé from the 1870s to 1918, when he fled the Bolshevik revolution. There are everyday objects such as clocks, bell pushes and miniature frames; jewellery, carved animals and smoking accoutrements; and of course the legendary imperial Easter eggs - some containing mechanical toys.

The event, which draws on the collections of 32 museums and private lenders, is organised in conjunction with the Washington-based Fabergé Arts Foundation, which exists to restore Fabergé's original premises in St Petersburg and to train young Russians in advanced goldsmithing - but not to reproduce Fabergé pieces, which already have their fakers in the West.

After its Paris showing at the Musée des Arts Décoratifs (Sep 24-Jan 2), the exhibition moves to the V&A in London (Jan 26-April 10 1994).

■ EXHIBITIONS GUIDE

AMSTERDAM
Van Gogh Museum The Potato Eaters. Ends Aug 29. Courtesans in Japanese Prints. Ends Aug 29. Daily
Rijksmuseum Rembrandt in a new light: seven restored paintings. Ends Nov 1. Closed Mon
BARCELONA
Fundacio Joan Miro Joan Miro: large-scale centenary exhibition. Ends Aug 30. Closed Mon
BARI
Castello Svevo Corrado Giaquinto: the late baroque artist provided enormous altar-paintings for numerous Roman churches and was feted in European courts during his lifetime (Goya was fascinated by the works done for the Palazzo Real in Madrid), but he has since been unfairly neglected. This fine show, with works from European and American collections, attempts to set the record straight. Ends Sep 5
BERLIN
Deutsches Historisches Museum Russian Photography 1840-1940: a fascinating collection of 400 photographs banned from public view for the past half century, including portraits of Bakunin, Glinka, Pasternak and Gorki, album pictures of farm and village life, society photographs with members of the Tsar's family and Agitprop art from the early Stalinist era. Ends Aug 31. Closed Wed
Neue Nationalgalerie Beyeler Collection: an outstanding private Swiss collection of early 20th century paintings. Ends Sep 12. Closed Mon
Alte Nationalgalerie Oskar Reinhart Collection: paintings by 19th century German, Austrian and Swiss artists. Ends Sep 12. Closed Mon and Tues
EDINBURGH
National Gallery of Scotland Holbein and the Court of Henry VIII: 28 portrait drawings and five miniatures from the unrivalled royal collection at Windsor, giving a vivid impression of members of the Tudor court. Ends Sep 26. Daily
Scottish National Gallery of Modern Art Russian Painting of the Avant-Garde: a survey of the extraordinarily fertile period in 20th century Russian art before the Stalinist suppression of innovation and experiment, with examples of work by Kandinsky, Malevich, Larionov, Popova, Goncharova and many others. Ends Sep 5. Daily
Royal Scottish Academy The Line of Tradition: 300 watercolours, drawings and prints by Scottish artists from 1700 to the present day, including intimate chalk drawings by Allan Ramsay, spectacular watercolours by Charles Rennie Mackintosh and delicate still-lifes by Elizabeth Blackadder. Ends Sep 12. Daily
Scottish National Portrait Gallery Phoebe Anna Traquair (1852-1936): 150 paintings, embroideries, illuminated manuscripts and decorative enamelwork by one of the most accomplished artists of her generation. Ends Nov 7. Also Photographing Children: a study of the various ways children have been perceived by photographers over the past 150 years. Ends Oct 3. Daily
City Art Centre The Waking Dream: the only British showing of the privately-owned Gilman Paper Company collection of photographs, charting the development of photography through its first century from 1839 to 1939. Ends Oct 2. Daily
● Combined tickets can be bought for all major exhibitions during the Edinburgh Festival. Admission to the permanent collections is free. Information: tel 031-556 8921.
FLORENCE
Casa Buonarroti Michelangelo - 18 masterpieces: these are the top drawings out of the 200-strong collection owned by the Buonarroti Foundation. All are of the highest quality, and all are signed by the artist. Ends Oct 30
Galleria del Costume di Palazzo Pitti Fashion at the Court of the Medicis: Florence's youngest museum celebrates its tenth anniversary with the results of a remarkable restoration job on the costumes worn by Cosimo, Eleonora and Don Garzia de'Medici at the time of their burial in the mid-16th century. Ends Dec 31
LONDON
Hayward Gallery Aratjara: the most comprehensive exhibition of Aboriginal art seen in Europe. Ends Oct 10. Daily
Royal Academy of Arts Pissarro's Series Paintings. Ends Oct 10. Daily
Tate Gallery Art and Liberation: painting and sculpture in postwar Paris. Ends Sep 5. Edward Burne-Jones: sketches. Ends Nov 7. Daily
NEW YORK
Guggenheim Museum Paul Klee: 60 works from the museum's own collection. Ends Sep 19. The SoHo site has Singular Dimensions in Painting: minimalist works from the 1960s and 70s by Ellsworth Kelly, Agnes Martin, Robert Ryman and others. Ends Aug 22. The main museum is closed on Thurs, the SoHo site on Tues
Metropolitan Museum of Art Nudes: 30 works by Klimt, Chagall, Picasso, Munch and others. Ends Oct. Abstract Expressionism: works on paper from the period 1938-57 by American artists. Ends Sep 12. Closed Mon
Museum of Modern Art Latin American Artists of the 20th Century. Ends Sep 7. Chuck Close (b1940): 15 large-scale screen prints. Ends Sep 28. Closed Wed
PARIS
Louvre French Drawings from the Pierpont Morgan Library: beginning with works from the 14th century, the exhibition reaches its climax with 18th century masterpieces by Watteau, Fragonard and La Tour, and some great names from the 19th century. Ends Aug 30. Closed Tues (Pavillon de Flore)
PRAGUE
Convent of St Agnes of Bohemia 20th century German and Austrian Architecture in Moravia and Silesia. Ends Oct 17. Closed Mon
Wallenstein Riding School Art for All the Senses: 200 works of painting, sculpture, architecture, design and photography, representing interwar avant-garde art in Czechoslovakia. Ends Sep 26. Closed Mon
Kinsky Palace Max Ernst: 300 prints and book illustrations from the years 1919-74. Ends Oct 3. Closed Mon
Prague Castle Riding School Europe in the Mirror of Baroque Art-Collecting: an exhibition illustrating the resurgence of art collecting in Bohemia after 1648, when much of its art treasure was carried away by Swedish soldiers as spoils of war. Ends Sep 12. Closed Mon
ROME
Palazzo degli Esposizioni Italian Journey: landscapes by the Russian artists who flocked to Italy during the 19th century. Around 60 oils and watercolours, lent by the state museum of St Petersburg, follow the well-trod path of the Grand Tour, from Ivanov's mirror-still Grand Canal in Venice, down to Zarnet's dramatic rendering of the waterfalls at Tivoli and a delightful group of small oils showing the Neapolitan coast by moonlight. Ends Aug 30. Also Art and Architecture - Richard Meier and Frank Stella: scale models and plans relating to the successful museums built by Meier, from the Kunsthandwerk in Frankfurt and the High Museum of Atlanta, to the still uncompleted Getty Centre in Los Angeles. These are shown alongside the huge, garishly-coloured geometrical work of Stella, Meier's life-long friend. Both men tried the other's discipline: also on show are Stella's attempts at architectural design and Meier's collages. Ends Aug 30. Closed Tues

It's not a disaster until it's on the box

BOOK REVIEW

A press conference was held in London last week to launch the Pathfinders, a private group of independent relief teams, intended to "give *Britain a new ability to* respond instantly to overseas natural disasters".

The group explained at the launch that "as well as their own, independent insignia, teams will wear the Pathfinder badge and the Union flag". One of the teams was described as "much decorated by foreign governments". Another, "originally earthquake-oriented, now majoring in communications", had "held the fort for the Foreign Office in the Hurricane Hugo operation" which lashed the Caribbean and south-eastern US in 1989. A third "aims to match Médecins sans Frontières" (MSF): one of its founders "travelled Afghanistan with Bernard Kouchner, disguised as Mujahadeen".

The idea for the Pathfinders was attributed to the late Group Captain Lord Cheshire VC and the term itself "derives from the target-marking at which Cheshire excelled during the second world war".

Jonathan Benthall must be tickled by the coincidence of the group's launch in the same week as his book, for it illustrates a number of his themes. His main message is that almost all relief agencies are now "majoring in communications", since disasters, as we have come to know them, are largely "media constructs".

Indeed, Benthall suggests, we can hardly recognise a disaster as such unless it is served up according to a familiar narrative pattern, with a set of stock characters whom he identifies with the "functions" in the classic folk tale, as analysed by the Russian scholar Vladimir Propp.

The characters are the travelling *hero*, "who may be an expatriate fieldworker, such as an officer of Oxfam or MSF; the *villain* (failing Saddam Hussein, "lack" or misfortune will do); the *dispatcher*, who sends the hero off on his mission; the *donor*, who provides him with a *magical agent*, sometimes in the form of a *magical helper* ("clearly, in our case, the embodiments of western abundance and technology *in various forms*"); *the false hero* (fake charity, incompetent or corrupt humanitarian bureaucrat); and the *princess*, who gives him his reward – literally in the case of Save the *Children Fund (SCF), whose* president is the Princess Royal.

DISASTERS, RELIEF AND THE MEDIA
By Jonathan Benthall
I B Tauris, £14.95, 267 pages

So familiar is this narrative, according to Benthall, that even when only part of it is shown on television – "for instance, pictures of starving babies, or an aeroplane setting off from a familiar airport taking supplies, or an ambassador thanking the public for their generosity" – viewers can *immediately recognise it* and know what to expect.

He devotes 15 pages to the "French doctors" movements – the prototype MSF and its offshoots, Médecins du Monde and Aide Médicale Internationale. Their founder, Bernard Kouchner (a minister in the last French government), crops up throughout the book. Benthall is fascinated by the personality of Kouchner, a crusading humanitarian who has been explicit and unashamed about his relationship with the media, especially television.

As director of the Royal Institute of Anthropology, Benthall is naturally interested in the different "cultural styles" of relief agencies. He finds that the "French doctors" *movements have* a very *distinctive* national style, which he calls "flamboyant", even "macho", and are much readier than their British counterparts to "ventilate disagreements in the national newspapers".

One of these disagreements concerns the expression "French Doctors", which Kouchner has adopted. His rival, Xavier Emmanuelli, a leading figure in MSF, warns that it "makes it possible for French politicians to take credit, in a covertly piratical manner, for an initiative originally undertaken by private individuals". It sounds as though, by draping their teams in the Union flag, Britain's new Pathfinders may actually surpass their French model in flamboyant patriotism.

Benthall gives careful attention to the badges and "logos" different agencies use, explaining how the Red Cross, despite the best efforts of its International Committee, comes to be seen as a Christian symbol, so *that* in Moslem countries it has to be replaced by the Red Crescent. MSF, founded by Kouchner in anger at the Red Cross's excessive discretion during the Biafra war in the late 1960s, *uses "a red cross which slopes* forward and is half erased by a red squiggle: it is almost saying 'Not the Red Cross'."

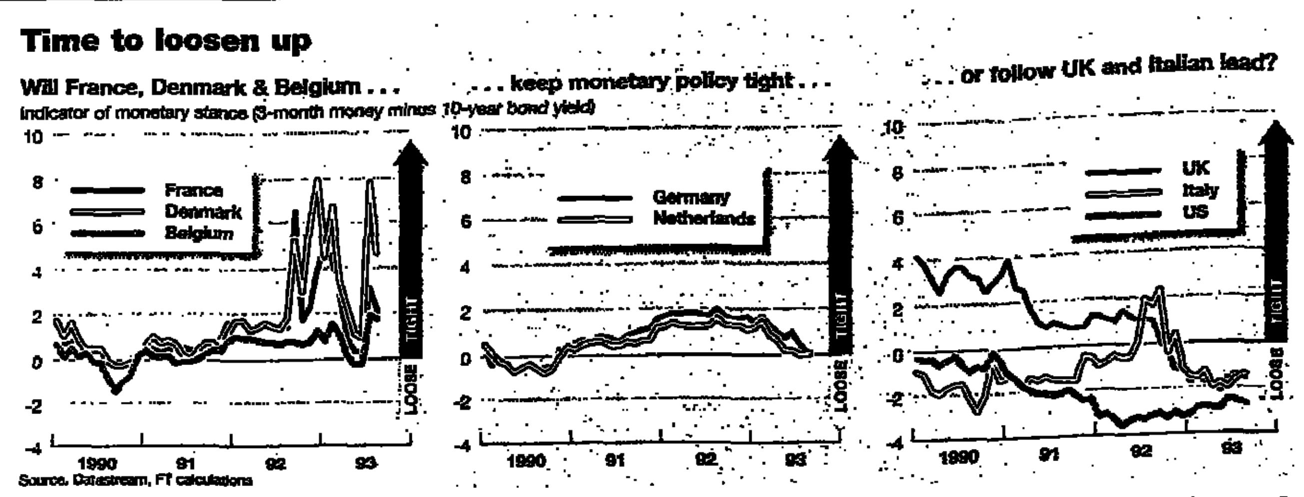
Christian Aid has "Slim Jim", a thin human figure with *tapering arms and legs; and* SCF now uses "Charlie Brown", a stylised child with arms outstretched above its shoulders. (Its earlier logo, a della Robbia *bambino*, *represented qualities of* "total dependence on paternal funding and maternal swaddling – exactly those which a progressive agency concerned with the rights of children today strives to combat".)

All this may sound cynical or far-fetched, but Benthall is not just another debunker. Nor is he simply regurgitating the neo-Marxism of some specialists in "media studies". He does not belittle the reality of suffering or the genuine self-sacrifice in most attempts to relieve it. In fact he defends the agencies and the media, albeit mildly, against the strictures of Professor Mahmood Mamdani, a Ugandan who attacks the former for wielding influence in Africa without *accountability and the latter* for "softening up public opinion in the west to make armed intervention more acceptable".

Benthall supports the effort to help disaster victims. But as an anthropologist he is interested both in the way that western cultures interrelate with those of the third world, and in the role played by images of suffering and relief within western culture. The result is a readable and fair-minded book, which highlights some very difficult dilemmas without claiming to resolve them.

Edward Mortimer

Time to loosen up



Source: Datastream, FT calculations

Currency liberation could be good news for Europe's unemployed

No reason to mourn

In the straitjacket of the exchange rate mechanism, the European economy in 1993 was lost to recession and 1994 was unlikely to see recovery. European unemployment, already at 22m, was expected to rise in 1994 to an all-time high. The demise of the narrow ERM now opens the door to far better performance in most economies.

It is wrong to believe that something precious was lost last weekend; on the contrary, the liberation of currencies previously trapped in the ERM offers a significant opportunity to recapture the buoyant spirit that animated Europe in the run-up to 1992.

The decision to loosen exchange margins was inevitable; central banks could postpone, within limits and at *escalating cost*, the time of crisis, but not the ultimate occurrence. The markets understood the basic dilemma: the Bundesbank had made clear its unwillingness to cut interest *rates to preserve the existing* exchange rates. Whatever the rhetoric, Denmark, Spain, Belgium and ultimately France lacked the reserves and the resolve to sustain exchange *rates at the price of visibly and* rapidly rising unemployment. Uncertainty about the timing and extent of German interest rate cuts and the urgent need for relief in the distressed partner countries opened up a credibility gap. Such a situation is a standing invitation for speculators who understand which way rates must move.

Sometimes currency speculation may deserve the bad name it has; by prematurely hardening exchange rates, the central bankers and finance ministers of Europe gave speculators the proverbial one-way bet. Even so, in this case the speculators were the best friend of the unemployed, and – even though we will not hear that admission – of the monetary *officials who had assumed* unsustainable commitments.

There has undoubtedly been some loss of face for policymakers who proclaimed that they would never devalue, but it would be wrong to dwell on that. Rather than look back and dream of punishing speculators, officials need now to exploit the newfound freedom to fight unemployment, of course paying due respect to inflation risks.

The decision to maintain the format of the ERM – exchange rate margins, but 15 per cent – *is sound and pragmatic. The* European Monetary System was a good convergence device for quite a while, but it hardened prematurely with the *insistence* that further realignments would destroy the accumulated gain in credibility. With limited margins and no realignments, the room for divergent interest rate *developments vanished. Just at the* time when high German inflation made far more flexibility highly desirable. The wide margins adopted in the present form can accommodate big *divergences in interest rates* without the prospect of creating yet another crisis – at least in the near future.

What strategies should countries pursue to use enlarged scope for interest rates and currency movements? There is no common and simple answer for each of the countries gaining freedom of manoeuvre.

All must be concerned to avoid a recurrence of inflation, a task easier for some than for others. But they also must give urgent priority to expansion, because that is the only way to bring down unemployment. Low interest rates are the fastest affordable way, given actual or imagined constraints to fiscal action, to get there. Finally, they all must look beyond recovery to give more emphasis to the supply side; more room for incentives, more flexibility, less status quo. But beyond these general common targets, the differences in constraints and opportunities deserve spelling out.

France enjoys a privileged position for action. With moderate inflation, it can go hard *for growth and will succeed*. France should cut interest rates rapidly to reach a level of 4 to 5 per cent in just a few months. There is no reason to hold off. In fact, given the long lags of monetary policy in stimulating recovery – particularly when unaided by fiscal stimulus, as the US demonstrates so clearly – there is no *place for complacency*. Even with immediate action, it will take at least until the beginning of 1994 to see results in terms of growth.

In the case of Belgium the *need for moderate interest rates* is even more imperative. The extraordinarily high debt ratio – perhaps the highest in the world – makes the country hypersensitive to even the appearance of unsustainable strategies. The country has a good reputation now, but it can lose it in no time if interest rates stay high.

Report by:
Olivier Blanchard,
Rudi Dornbusch,
Stan Fischer,
Paul Krugman,
Franco Modigliani,
Paul Samuelson
and Robert Solow

Spain faces far more serious contraints. Inflation is not moderate and the instinctive response to a weakening of the currency is a resurgence of inflation. Of course, keeping the tight money lid on does not solve the problem. Lower interest rates are essential; growth is paramount; the status quo of pervasive corporatism, lack of competition and mounting unemployment needs a co-operative frontal attack.

That there is another way is demonstrated by Switzerland, Italy and the UK. Switzerland has interest rates of less than 5 per cent, far below Germany's. The UK when it was pushed out of the ERM last autumn opted for growth and is well on the way, without signs of strain or loss of financial stability. Italy's demise at the hands of speculators became the foundation for growth and *for far-reaching domestic* reform. Italy demonstrates that unions can be far-sighted and willing to co-operate in a growth strategy that does not translate into inflation.

Interest rate cuts cannot be accomplished without *some* depreciation of currencies. Only with the expectation of an appreciation relative to the D-Mark can a currency have lower interest rates than Germany. The practical question then is how much the French franc, say, must decline to support moderate interest rates. Our view is that the necessary depreciation is very limited, perhaps 5-7 per cent. After all, France is just moving ahead of German rate cuts by six to 12 months or so, and that hardly warrants big swings. Much the same argument applies to Belgium and Denmark. Thus the extent of depreciation need not be large and stabilising speculation can be counted on to limit the fall.

There is, of course, a strong argument for limiting unnecessary volatility and uncertainty by broadly and informally co-ordinating the strategy among the floaters. For the most part, they should be able to cut interest rates in line with one another, and that will limit excess volatility. Where they part company will depend on their attitude towards unemployment, their performance on inflation, and their success in reducing rates without overly large depreciation.

If interest rate targeting takes advantage of the new room for letting exchange rates move and growth resume, there is also the question of when to tighten the margins and return to the Emu project.

The immediate priority is flexibility and that precludes formal commitments to unsustainable exchange rate targets. There is no reason, however, to rule out pragmatic trading ranges around newly found levels of the exchange rates, once interest rates have been cut. Thus we do not expect extreme volatility, just because the margins are wide. Ultimately, 18 months or two years from now, Europeans can re-examine whether the preconditions for stable rates or even monetary union are in place, how to remedy shortcomings, how to assure better co-ordination, and how to proceed.

Whether ultimately there is a common money or not, a common Europe has already shown its worth in the establishment of a market where goods and services flow freely. The good name of Europe will be all the better if further integration yields prosperity and not mass unemployment.

The authors are professors of economics at the Massachusetts Institute of Technology, Cambridge, Massachusetts, US

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Buba was perhaps in the right

From Mr Thomas Martini.

Sir, May I suggest that you fundamentally underestimated the wisdom and skill of the Bundesbank in the recent ERM turmoil?

According to your headlines and comments in the last few days, (mainly London-based) *economists, analysts and foreign* exchange dealers have repeatedly been taken by surprise by several Buba decisions. When dealers can no longer take bets with winnings guaranteed, what better proof is there than that the German central bank has successfully burst the speculative bubble?

The French franc has not been devalued, nor should or will it be in the medium term as French fundamentals look somewhat better than those in Germany – so the second goal is about to be achieved. And the Paris-Bonn axis has been strengthened.

Finally, the UK and some other countries have been given enough room again to participate in the European *process if they so wish*. The third goal is achieved – Cunctator Major or his successor can no longer shelter behind allegedly irresponsible German monetary policy, but will have *to make his own strategic* political decisions on the UK's place in Europe.

Thomas Martini,
Hainallee 16,
44139 Dortmund,
Germany

Social security must be more than just a safety net for poor

From Ms Carey Oppenheim.

Sir, Bill Robinson argues that social security has one role alone – to help the poor – and that it should be reformed accordingly ("Don't pay the rich to be ill", August 3). His argument is flawed on a number of counts.

He fails to recognise that *Britain's social security system* has, and must have, a number of roles in a complex society. It fosters solidarity by ensuring collective security against risks such as unemployment; it should maximise opportunities for self-support; it must prevent as well as relieve poverty, for example by smoothing income over the life-cycle.

He goes on to dismiss the insurance principle on the grounds that it is a costly myth. But while it may be a myth in actuarial terms, it embodies an important principle of our social security system that carries a powerful resonance in the public's mind that we all contribute and gain. To reject it is to embark on the creation of a social security system which is reduced to a residual safety net.

To argue that the benefit system provides incentives to become sick, disabled or a lone parent betrays an extraordinary ignorance of the reality of living on meagre levels of benefit. The princely sum of £73.60 a week for a lone parent cannot be an incentive to have a child on your own.

Bill Robinson's prime target for reform is child benefit because a "big share goes to the better off". However, recent figures from a parliamentary answer show that just 8 per cent of child benefit expenditure goes to high-earning families once income is adjusted for family size. This is because families with children are clustered at the middle and lower ends of the income distribution. If the government chooses to target the more affluent it should look closely at the system of tax allowances, reliefs and higher rates.

The recent growth of the social security budget is not primarily due to the national insurance principle or perverse incentives but largely because of pressures outside the social security budget, in particular the recession, and also the costs of deregulation in the housing market. Even the growth of lone parents, sick and disabled is related to the state of the economy – their reliance on benefits rises in recessions. The government's own document, The Growth of Social Security, shows that, if Britain's economy continues to grow, we can afford our social security system.

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Root problems and infighting facing IBM

From Mr Duncan White.

Sir, Your reporting of July 28 and article of July 29 ("When surgery will not prove the whole cure") fail to disclose the very real root problems facing *IBM. In basically four* different computer product lines – mainframe, personal computer, open system (Unix, RS6000) and mid-range (ASA400) – almost no new "mainframe" sites are being started because the new "open systems" offer four times the price performance. The AS400 seems to be at the end of its product life cycle, with no certain upgradeable path. PCs have no unique IBM ability as IBM did not design its own chip. The only product with a future is the RS6000 series, but it is falling behind its competitors which are introducing faster parallel processors.

Finally, all big decisions regarding R&D, marketing and strategy seem to be made by the old time "mainframers". Can Mr Gerstner overcome the infighting of these four groups?

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Equalisation of pensions at 60 is an affordable alternative

From Mr Norman Willis.

Sir, I agree with Howard Davies ("CBI Backs Pensions for all at 65", July 29) that the government must "stop dithering" about when they are going to equalise the state pension age. The TUC firmly believes equality in this fundamental area is long overdue. Legislation must be brought forward without delay, recom*mending equalisation at 60.*

But Mr Davies contends that equalisation at 60 is unaffordable. This is simply not the case. It is an argument being used by the government and employers to frighten people into accepting they will have to work for an extra five years. The TUC has produced figures to show that equalising at 60 could be cheaper than equalising at 65 – £0.07bn, a far cry from the £3.5bn which the the government maintains equalising at the lower age would cost. This is because of the knock-on effects on unemployment among younger workers and consequential savings on social security spending.

Contrary to Mr Davies's assertions, equalising will not place unnecessary burdens on employers. Large numbers of schemes, and many of Mr Davies's members, have already equalised occupational scheme pension ages at 60 and will be paying full pensions to former male and female employees. Many others will pay early retirement pensions to men aged between 60-65, the majority of whom do not work.

Second, the CBI's figures appear somewhat exaggerated. Separate actuarial data put the costs to employers of equalising at 60 between £4bn-£8bn – two-thirds of the costs predicted by William M Mercer. What is more, when considering the costs to employers, large numbers of schemes are presently over-funded. These surpluses, which have been calculated to run to between £15bn-£25bn, could be used to equalise occupational scheme pension ages. This would certainly reduce the financial burden on employers which Mr Davies complains about.

Men and women want to retire at 60, and to make them work on to 65 would be quite unfair. This is not just the evidence of opinion polls, but can be seen from people's current retirement patterns. We must eradicate this discrimination in a progressive manner, by equalising at age 60. This is fair, it is what people want and is affordable.

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Spain after the hard ERM

THE SPANISH government has good reason to feel pleased, as well as relieved, at the outcome of Europe's latest currency crisis. A week ago, the peseta's days in the exchange rate mechanism appeared to be numbered and the government's European ambitions looked increasingly precarious. But the shift to dirty floating, with very wide exchange rate bands, appears, at least for the moment, to have let the Spanish government off the hook.

For Spain, the collapse of the hard ERM could prove to be a blessing in disguise. Maintaining the ERM parity has risked becoming an excuse for avoiding the necessary domestic steps to stabilise the economy. That Spanish inflation remains stuck at 5 per cent a year, despite three years of ERM membership and a deepening recession, is proof that the ERM discipline could not, of itself, bring inflation under control.

The hard part of Spain's journey to European convergence starts now. With the exchange rate no longer an adequate discipline for policy, the risks inherent in the structural weaknesses of the Spanish economy – its persistent budget deficit and sclerotic labour market – become more disturbingly apparent. Prime minister Felipe Gonzalez and his economic ministers will not have been fooled by the peseta's relative stability over the past few days following Tuesday's interest rate cut. Without adequate steps to address these long-term issues, attempts to revive economic growth by cutting interest rates could rapidly undermine the peseta and scupper Spain's convergence plans.

Whether Mr Gonzalez and his team have either the stomach, or the political support, to take the medicine remains, at best, unproven. But yesterday's announcement that the government will cut Pta100bn (£480m) from its planned spending this year does not bode well. The package of cuts, if enacted, will only go a small way towards offsetting this year's budget overshoot.

Even more worrying is the slow progress towards an agreement on wages in either the public or private sectors. The medium-term imperative, if the Spanish government wants to revive employment growth, reduce long-term unemployment and control the growth of temporary contracts, is to relax Spain's stifling and expensive hire-and-fire legislation. But for the moment, the priority must be to persuade unions and employers that wage inflation above 7 per cent a year is not consistent with low inflation and thus with Spain's European ambitions.

The Spanish government cannot afford to appear sanguine. It must make clear to parliament and to the unions that the alternatives are either a far tighter 1994 budget than currently planned and a concerted effort to cut wage inflation in half, or a longer recession and even higher unemployment. The collapse of the ERM could help trigger the revival of the Spanish economy, but only if the new flexibility is used as a reason to take tough decisions, not as an excuse to postpone them further.

Faster roads

THE MEASURES announced yesterday to speed up Britain's tortuous road-building process are welcome. Even those who oppose new roads should benefit from steps to reduce the duration of the blight that afflicts their property. Reducing the delays in the planning process will not mean a significant acceleration in road-building: less red tape and fewer delays could save on costs, but there is no new money to fund a substantial increase in the roads programme.

The creation of a Highways Agency is a sensible move. Across Whitehall, agencies have brought improvements in public services through a clearer focus on the job to be done. Putting distance between ministers and the managers of the roads programme should free the latter from day-to-day political interference.

Similarly, separating the Department of Transport from the road-building programme should improve transport policymaking. The close identification of the department's mandarins with the road-building programme has led to accusations of bias against alternative forms of transport such as rail. Hiving off roads into a separate agency will make it easier to shake off the image of "Department for Roads".

Streamlining the planning process and speeding up public inquiries are also to be welcomed. It is absurd in the computer age that inquiries should be required to read out all written objections. Inquiries that drag on are at the mercy of those with the time and inclination to take advantage of the opportunities for delay. The losers include the often greater numbers of people who live in towns and villages in need of bypasses. Motorists suffer, too, through delay and congestion, as do industry and businesses that rely on road transport.

Mr John MacGregor, the transport secretary, expects tens of millions of pounds to be saved by greater efficiency in road-building. He may be right, though this would be small beer in comparison with the £1.4bn spent annually on new roads. So those who see speeding up road-building as producing more roads are likely to be disappointed. The new measures could mean that priority roads are completed more quickly, but that will be at the expense of those farther down the list.

However, shortening the time taken to build new roads improves the chances of raising private finance for road-building. The delays and uncertainties in the current planning process are disincentives to investors. The more the government can do to reduce the risk associated with project planning, the greater the chances that the private sector will invest in new roads.

What is also needed is to generate a stream of income from new trunk roads to repay the investors. Whether that is politically saleable will depend on the response to Mr MacGregor's green paper on tolling trunk roads, published earlier in the summer.

US steel initiative

NEWS THAT A LARGE chunk of the US steel industry is about to embark on a radical experiment in collaborative worker-management relationships will surprise those who remember the violent confrontations that have peppered its history. But the big steel companies and the United Steelworkers of America are now both fighting for their lives. They have little to lose, and potentially something to gain, from the proposed deals.

Details of what has been agreed at Bethlehem Steel, the country's second biggest producer, and National Steel, the fourth largest company, will remain sketchy until the terms are ratified over the next few weeks. For example, it is not clear whether workers are being offered guaranteed employment, or to what extent they are being required to contribute to cost savings on health insurance.

But it is evident that under the deals, which are to last for six years, a two-year pay freeze and greater work flexibility will be exchanged for improved pensions and, most dramatically, for participation in company decision-making from the boardroom to the shop-floor.

This is not full-scale co-determination, German-style. No employee at any level in the company will have a formal veto over management decisions. But by linking workers' pay to profit performance and giving employees more influence in company forums, both sides hope to create mutually reinforcing benefits.

This is not an overnight conversion to collaboration. Ever since the bitter 1986 dispute at USX, the US's biggest producer, there have been several small-scale experiments in new forms of pay and participation, including most recently two deals at Inland Steel and LTV. The old line steel companies have also looked enviously at the productivity levels achieved in the green-field site mini-mills, and their more harmonious working methods.

As Mr Lynn Williams, the steel union president, is fond of pointing out, nobody suffers more than the workers when a plant closes. A steel closure often has a dramatic effect on a town, leaving poor employment prospects and falling property values. Senior managers are usually more mobile and employable. So the union, like some of its counterparts in the airline industry, is ready to trade short-term gains on pay for a more productive and secure future.

It is not yet clear that the deals will provide such a future, and USX may be wise to hold back from following its competitors into signing up until more is known about how they will work out in practice. Even if they do, they may not be a model for other sectors of US manufacturing, which have very different industrial relations histories and current prospects. But the Clinton-appointed Dunlop Commission, which is currently reviewing the structure of US labour law, will have some useful case studies to examine before coming up with its report next year.

Breaking up was the easy part

Anthony Robinson on the contrasting fortunes of the Czech Republic and Slovakia since their 'velvet divorce'

Both Czechs and Slovaks sat glumly together behind what Winston Churchill called the "iron curtain" – from Stettin on the Baltic to Trieste on the Adriatic. Now, to the dismay of most Slovaks, the new "paper curtain" created by Germany's tougher asylum laws leaves their state on the eastern side of the new division of Europe – and their former compatriots in the west.

The consequences of such a development were not foreseen when Czechs and Slovaks parted company on January 1 and the invisible dividing line between the two components of the former unitary federal state became an international border. But the willingness of Germany's eastern neighbours – mainly the Czech Republic and Poland – to act as a sieve, filtering out would-be economic emigrants to Germany from the Balkans and the former Soviet Union *before* they reach Germany's own borders, has turned the Czech/Slovak border into an east-west dividing line.

This is fine for the Czech Republic, which juts like a wedge into Austria and unified Germany. Its baroque and renaissance cities are a magnet for western tourists and investors eager to relocate their factories just over the Czech border, where wage rates are far lower. But it is bad news for Slovakia and Mr Vladimir Meciar, the prime minister who led this small country of 5m people to independence, but did not reckon on this degree of exclusion.

For months after the "velvet divorce" Mr Meciar objected to Czech proposals to reinforce a border which left Slovakia in the second division of former communist Europe. But in talks with Mr Vaclav Klaus, the Czech prime minister, at last month's summit of central European states in Budapest, the Slovak leader agreed to joint Czech-Slovak border patrols, clearer demarcation of the border and restrictions on the number of border posts open to foreigners – provided that this did not affect the rights of Czechs and Slovaks with identity cards to cross the border freely without passport formalities.

Although the agreement ensures that the border remains physically of little consequence for Czech or Slovak citizens, its psychological significance is much greater. It marks the limit of the Czech Republic's exposure to the east while making Slovakia appear as a mere appendix of western Europe, its eastern border joined to the economically distressed Ukraine and linked via the Danube to the unstable Balkans.

Despite the obvious desire of both sides not to aggravate relations between two closely related peoples, the first few months of separate statehood have shown how economic, geopolitical and unexpected factors (such as the German asylum laws) have combined to accelerate the course of development in opposite directions.

Before the "velvet divorce", Slovak nationalists complained that seven decades of cohabitation had left Slovakia as little more than a maker of components and industrial products, such as steel, which it sold mainly to the Czech Republic. With independence, they believed, Slovakia would finally be able to sell more of its products abroad.

It has not been so. Since the divorce, two-way trade between the two republics has fallen by 40 per cent. But the slowdown in continental Europe has made expansion into western markets more difficult for both, in particular Slovakia.

For the Czech Republic, the Kcs8.8bn drop in exports to Slovakia in the five months to May was a factor in the 2.3 per cent drop in first-quarter gross domestic product. But Mr Jan Vik, deputy governor of the Czech central bank, says that Czech exports to other markets rose by Kcs11.5bn over the same period. Slovakia, whose only direct contact with western markets is across its short border with Austria, lacks the flexibility to seek new markets for its more limited range of products.

Last month Mr Julius Toth, the finance minister, gave up a six-month struggle to maintain the parity of the Slovak crown with the Czech currency. After rejecting the suggestion of the International Monetary Fund in February for a 30 per cent devaluation, he finally acquiesced in a decision of the new independent central bank to devalue by 10 per cent on July 9. Shortly afterwards, the IMF agreed a $90m soft loan. Independent economists and foreign observers expect further measures in the autumn, such as a 20 per cent import surcharge, as recommended by Mr Toth, or further devaluation, or both, designed to boost exports.

International institutions, including the European Bank for Reconstruction and Development, have pledged in excess of $100m to help finance privatisation and infrastructure projects. But private foreign investors remain elusive. Before the split, Slovakia received only 10 per cent of foreign investment into Czechoslovakia. It has received little since.

Even the biggest of Slovakia's deals, Volkswagen's DM35m (£13.6m) investment in an assembly plant in Bratislava, is now seen by industry ministry officials as of ambiguous value. They see it as mainly designed to keep General Motors and other potential investors out of a market they believe VW intends to dominate through its controlling stake in Skoda Automobilova, based in the Czech Republic.

The contrast between development in Slovakia and in the Czech Republic is stark. The Czech bankruptcy law passed in April has not yet led to the expected shake-out of loss-making state enterprises. But preparations are advanced for the launch of a second wave of mass privatisation. This will concentrate on the sale of utilities and companies such as the breweries which were once viewed as crown jewels. Prague is awash with tourists while foreign investment, which topped $1bn in the three years before the split, is rising again after a hiatus.

Two of the Czech Republic's biggest companies, for example, have signed agreements with top German groups, positioning themselves for the eventual recovery of demand in the former Soviet Union for Czech trams and other engineering products. AEG-Westinghouse has joined up with CKD of Prague to form AEG-CKD Transport Systems, with a turnover of DM170m which is projected to rise to DM300m by 1995. The venture will build trams for both the western and eastern markets. Meanwhile, Skoda Pilsen has teamed up with Siemens to make steam turbines. Skoda Pilsen has also recently formed a consortium with 12 other Czech companies to resume arms production for the domestic market and export.

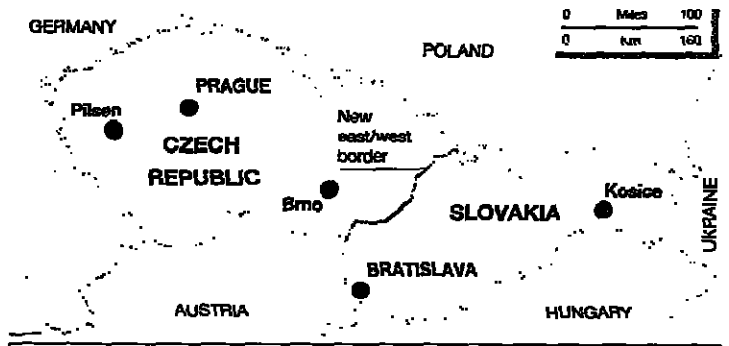
The arms decision illustrates how far the Czech Republic under the leadership of Mr Vaclav Klaus has moved away from the romantic liberalism espoused by those who led the "velvet revolution" in November 1989. One of the first acts of the post-communist government was to renounce Czechoslovakia's traditional pre-eminence in arms production. (Most arms plants were in Slovakia and this decision was an important factor leading to the separation of the two states.) Now the remaining link with the recent past is President Vaclav Havel, whose dream of a caring revolution has been submerged by a nationwide desire to get rich quick.

The clearest indicator of how both countries are faring can be seen in the differing fortunes of the two men who emerged from the general elections in June 1992 as the undisputed leaders of their respective parties and countries.

Mr Klaus, who lead his Civic Democratic Party (ODS) to victory on a platform of market reform and individual choice, has become even more outspoken in support of foreign investment, privatisation and market choice. His open contempt for those unable to shake off their pseudo-Marxist attitudes earns him respect rather than affection. But the polls show him to be more popular than ever, while his social democrat opponents concede they have little chance of unseating him at the next election in 1996.

By contrast Mr Meciar, who never actually promised independence but enticed nearly 40 per cent of the Slovak electorate into believing that a vote for him was a vote for national pride and prosperity, looks increasingly like the winner of a prize but does not know what to do with it. The populist, who appears increasingly like the communist *apparatchiks* of old, seems unable to sketch out a viable future for the country. He is sliding down the polls as his former supporters contemplate an uncertain future at the ragged edge of Europe.

Czech Republic and Slovakia: mixed fortunes after the split




Vaclav Klaus
Prime minister of Czech Republic


Vladimir Meciar
Prime minister of Slovakia

Save the planet without costing the earth

PERSONAL VIEW

"Better in the black than clean and green". The title of David Lascelles' review of the new publication, Environmental profiles of European business (July 15), encapsulates one of today's most crucial issues – how to regulate for environmental improvement without impairing the wealth-creation on which we all depend.

Worldwide, the liberal market economy is now accepted as the most efficient and responsive basis for economic activity. Certainly the more successful non-OECD economies are industrialising and developing at breathtaking pace. Meanwhile, world population is growing at 80m a year. It is not fanciful to project fourfold growth of the world economy over the next 30 years and a doubling of global demand for energy and other natural resources. The impact on the natural environment of human activity expanding at this rate represents a formidable challenge.

The all-important question is how to devise environmental policy and legislation which leads to a positive relationship between economic development and environmental improvement. When founded on sound principles and proper cost/benefit analysis, this can stimulate innovation and ingenuity in pursuit both of environmental improvement and of market competitiveness.

But in Britain – and Europe – the pressures on politicians to respond rapidly to environmental concerns have led to a wave of regulation, too much of which is ill-considered, prescriptive, and uncosted. Some of the effects will be perverse, damaging business confidence, discouraging investment, and driving industrial activity abroad. This will impair the very economic development and innovation on which environmental improvement depends.

Europe's oil refining industry is a case in point. A big environmental challenge is certainly posed by continuing growth in car use, and related urban pollution. Influenced by US practice, and particularly by California, the EC has been introducing progressively more stringent specifications for automotive fuels. Yet trade-offs between different environmental objectives have not been fully resolved. Nor have the different environmental impacts of different vehicle emissions. Nor, indeed, has the fundamental mismatch between the costs faced by Europe's refining industry to achieve compliance, and the funds being generated by this industry from intensely competitive markets.

We must invest with a clear understanding of costs and trade-offs and a clear order of priorities

Environmental choices are clearly illustrated by the EC requirement to lower the sulphur content of diesel fuel. There is a trade-off between achieving this and tackling the threat of global warming. Removing sulphur takes more energy, which means that the additional carbon dioxide from refineries will be about 10 times greater than the sulphur dioxide eliminated from exhausts.

This is emphatically not an excuse for inaction. We must continue to invest in improving the quality of our environment. But we must do so with a clear understanding of the costs and trade-offs, and with a clear order of priorities.

Today, European refiners face having to invest more than £40bn for the piecemeal application of tighter fuel standards. This is without a comprehensive assessment of the costs, benefits and impacts of the package as a whole, and without similar consideration of other options. In road transport, these include incentives to greater fuel efficiency, more stringent environmental standards for older vehicles, or speed controls. Ultimately, consumers will bear the consequences, either in higher costs passed on in the marketplace, or in reduced security of supply as Europe becomes more dependent on imported oil products.

The current environmental debate, and much of the regulation flowing from it, is flawed – by an unwillingness to accept how little we know, and by a mistaken belief that improvements come at little cost. Environmental measures are proposed which place a burden on businesses disproportionate to their benefits. The burden affects companies' profitability, competitiveness, costs to their customers, and ultimately the health of the entire economy.

Political leaders must decide environmental goals and priorities. But we have a right to expect them to do so with an informed grasp of the implications and thorough analysis of the costs and benefits. We in business must continue to demonstrate our commitment to real environmental improvement, not only by harnessing technical expertise to practical solutions, but also by clearly articulating costs and implications of proposed measures. The environmental debate must now be conducted with a new realism.

David Varney

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OBSERVER

Bearding the City

■ Like a jilted lover who won't give up, the Labour party is trying yet again to win the affections of a steadfastly sceptical business community. The high-point of the on-off affair comes in November, when Labour leader John Smith parades in front of the Confederation of British Industry's annual conference in Harrogate.

It will be a first time for a Labour leader out of power and he must be hoping his speech, reminiscent of CBI boss Howard Davies' cheeky performance at the TUC last year, will prove more successful than previous Labour attempts to woo industry. The job of preaching to the seemingly unconvertible has proved exasperating for a string of recent Labour industry and treasury spokesmen, from Roy Hattersley and Bryan Gould to Gordon Brown and Smith himself.

Indeed, Smith's own, ineffective pre-election efforts as shadow chancellor to woo the City handed Michael Heseltine one of his best Commons put-downs, when he ridiculed Smith's prawn-cocktail offensive, claiming that "never had so many crustaceans died for so little".

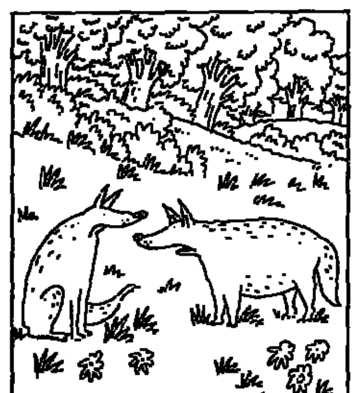
So it comes as no surprise to hear that Robin Cook, Hezza's opposite number, is already preparing a fall back position if the big boys won't rise to Labour's bait. He and his colleague Derek Fatchett have set off on a nationwide tour to sell the party's industry "green paper". But, this time, small businesses are to be singled out for special attention. Labour reckons the sector has had such a mauling under the Tories that converts will be ripe for the picking. But then it thought that before the last election.

On its uppers

■ Guess what the Brazilian press focused on when Citicorp boss John Reed met Itamar Franco, president of Brazil, the other day?

Perhaps it was too much to expect the Brazilians to highlight the recovering fortunes of what used to be the world's premier international bank. Reed, as president of Brazil's largest creditor bank, had thought his visit would sharpen interest on negotiations over Brazil's $44bn commercial debt. However, one of Brazil's eagle-eyed paparazzi spotted that Reed's well-worn shoes had been repaired with rubber heels.

Quick as a flash, pictures of Reed's down-at-heel footwear were splashed all over yesterday's front-pages sparking a national debate over the importance of decent footwear. Brazilian style-setters leapt to Reed's defence saying his "battered look" was just right for the difficult economic times of the 1990s. But the more serious journalists quickly homed in on the real message. In a throwaway society, Reed was making a personal statement about the need for austerity.



'If they can't hunt us any more I hope they don't deport us'

Paris the thought

■ Barclays Bank bosses, anxious to find some good news in yesterday's interim figures, were crowing about a new computer system which monitors unusual transactions. It prompts staff to ring up customers and ask them when they last saw their card.

Sir Peter Middleton, the deputy chairman, was the first to sing the praises of the Fraud 2000 system. Having transferred some money to his daughter in Africa, and paid for a holiday, he got a worried call from Barclaycard. Not to be outdone, Andrew Buxton, the bank's chairman, added his tale of a chum whose card was used in Paris and whose family was called by the bank to check.

"In fact, he was on a spending spree in Paris," added Buxton. Much merriment ensued until the the full implications dawned. Not every Barclaycard owner would be thrilled to learn that an unusual transaction in Paris prompts a check call to base.

Nuked

■ There is nothing like a currency crisis to stimulate the creative juices of the the City's top economic brains. In just two days the team of scribblers at BZW has come up with "Eurassic Park", "Day of Wreckoning" and "tERMinal". However, this week's booby prize must go to Morgan Stanley, which used to be a haven of fine writing. It's circular is entitled: "Fallout from ChernobERM".

Bonus time

■ It will take more than a major miscalculation of the UK balance of payments figures to trip up the slick-willies at the new-look Central Statistical Office these days. Far from being embarrassed at the size of the £2.9bn downwards revision to the provisional estimate for last year's current account deficit, the CSO was glowing with pride at the tininess of its "balancing item".

This is the euphemistic name given by statisticians to what is otherwise known as the black hole – the difference between the current and capital accounts which in theory, but rarely in practice, add up. Last year there was only £301m in the black hole, compared with £7.3bn in 1990 – the smallest figure since 1975. So no more rude suggestions, please, that CSO boss Bill Maclennan's may have failed to meet his performance targets.

On the job

■ Is there a chief executive of a Footsie company who has done more globe-trotting than Reuters Peter Job? So far this year, he has ventured from his Fleet Street headquarters to visit 19 countries – some as many as four times. Throughout his career with the financial information and news group, Job reckons he has been to 69 different countries.

Any advance on that?

Limp humour

■ Overheard in a church: "Next Wednesday in the church hall we shall see a set of slides on the Progress of John Pilgrim's Bunyan."

FINANCIAL TIMES
Friday August 6 1993

Boomerang disturbs VW board

Meeting called after PR 'catastrophe' over espionage allegations

By Christopher Parkes in Frankfurt

AS Mr Ferdinand Piëch realises, foot-in-mouth disease can be extremely painful. The Volkswagen chairman and self-proclaimed saviour of the European car industry may yet discover that it is also difficult and costly to cure.

The early symptoms are severe. Mr Piëch's case will be closely examined at an extraordinary meeting of VW's supervisory board in Wolfsburg tonight.

The sitting was called by Mr Klaus Liesen, chairman of Essen-based Ruhrgas and head of the VW supervisory board, and by Mr Piëch himself, to discuss the state of the business and the "matter" between Volkswagen and General Motors of the US and its German subsidiary, Adam Opel.

The decision to meet followed signs of wavering in the board after public relations catastrophes which served to thicken rather than disperse the clouds of suspicion which were circling Mr José Ignacio López de Arriortúa, production director and linchpin of Mr Piëch's recovery programme.

Mr Klaus Volkert, senior representative of the workforce on the supervisory board, on which union, employee and Social Democrat party officials hold 11 of the 20 seats, said this week that if spying charges against Mr López seemed likely, he would withdraw his support.

The board had until then agreed that it would stand fast, even if Mr López, former head of GM's global procurement, was charged with industrial espionage, until the charges were proven.

Mr Volkert's resolve appeared to weaken after an offensive last week in which Mr Piëch hurled charges against GM/Opel and the "biased" public prosecutor's office.

He accused GM of "shady manoeuvrings" and of a personal vendetta against Mr López with the aim of destroying VW.

He implied that Opel was a US *agent provocateur* in an economic war against the European motor industry.

Mr Piëch had inadvertently chosen a boomerang for his attack. It outraged all sides of German industry and politics.

There were calls for Mr López to be fired or suspended. The central message was that Mr Piëch and his "nationalist" tones were damaging to Germany's reputation.

A plea for "demilitarised" language and an offer of mediation from Mr Günter Rexrodt, economics minister, demonstrated Bonn's view. Mr Piëch's efforts to open talks with GM were met by a humbling rebuff.

His offensive was designed to offset damage done in a recent court case, when VW failed to prevent *Der Spiegel*, a weekly newspaper, from reporting detailed suspicions of spying against Mr López.

The irony is that the investment community accepts that his and Mr López's vigorous restructuring efforts are having an effect, and profits flow will start to increase next year.

Even among such cool heads, however, there is bewilderment at claims that the group will be out of the red by the end of this year.

Analysts see a loss of about DM700m (£272m) as unavoidable. "I can't think they have been trying to mislead us; but if they are, why?" one asks.

The charitable answer is that Mr Piëch, blinkered by his zeal for saving VW and believing the results would speak for themselves, is a less than capable public relations man.

Similar questions may arise at tonight's meeting, at which Mr Piëch is expected to concede that his cost-cutting drive has left gaping holes in his PR defences which need to be filled, possibly with a new management board director.

At the end of the night, supervisors will almost certainly close ranks with managers.

Mr Liesen, Mr Volkert and his colleagues, senior executives of Deutsche Bank and Dresdner Bank, the prime minister of Lower Saxony, and other worthies are the men who chose the managers they believed best able to save Europe's biggest car maker.

Mr Piëch has staked his reputation on his belief in Mr López. If anyone hangs, then all will hang together.

Volkswagen shares rose sharply in Frankfurt yesterday on hopes for a "positive" outcome from tonight's extraordinary meeting of the vehicle maker's supervisory board, writes Christopher Parkes.

The group's stocks rose DM12.5 to reach DM374 at the official close, but continued climbing in after-market trading, reaching DM377.20 by late afternoon.

Dealers said they expected the 20 non-executive directors to restate their unconditional support for Mr Ferdinand Piëch, group chairman, and Mr José Ignacio López de Arriortúa, production director. Both men will attend and present progress reports on restructuring and provide profit forecasts.

The market was also encouraged by Wednesday's announcement that a further 3,000 VW jobs in Germany are to be cut by the end of 1994. This was taken as a sign of management determination to reduce costs.

By the end of next year the German workforce will have been cut to 100,000. In the medium-term analysts expect a further 20,000 jobs to go.

The market is also expecting action to restore confidence in the group's press and public relations activities, which have been shaken by Mr Piëch's abortive efforts to counter allegations of industrial espionage against Mr López by his former employer, General Motors.

The supervisory board is expected to try to help Mr Piëch extricate himself from what he himself called a "mud-slinging war" with GM and its German subsidiary Adam Opel, and return to the business of restoring VW to health.

Madrid cuts spending plans by $720m

By Peter Bruce in Madrid

SPAIN'S minority Socialist government, hoping to restore confidence in the country's recession-hit economy, yesterday announced it was cutting Pta100bn ($720m) in planned spending from the 1993 budget and promised "maximum" cuts in the 1994 budget, which is being drafted.

But the cuts for this year fell way below what analysts and the markets had been hoping for. In less critical economic situations in 1991 and 1992 the government found cuts of Pta341bn and Pta200bn in current spending. The planned central government budget deficit this year of 2.4 per cent of GDP is likely to be more than 5 per cent of GDP, Mr Pedro Solbes, the finance minister, told an emergency session of parliament yesterday.

Spending is some Pta1,300bn over target, with tax revenues, hit by the recession, falling short by Pta700bn.

Before yesterday's debate the cabinet had not met until late Wednesday night to agree on the relatively timid cuts for this year, on the establishment of a special corps of officials to combat tax evasion and on a sharp increase in the price of petrol.

Mr Solbes told parliament that most of the cuts would be taken by the public works ministry. The recession, overspending and the tax shortfall have taken Spain way off course from the targets it set itself last year in a convergence plan designed to prepare the country for monetary union with its EC partners.

Combatting public spending is likely to remain the key to the country's ability to be able to bring down interest rates rapidly, despite the increased leeway given the peseta by a more flexible European exchange rate mechanism.

The Bank of Spain is likely to remain vigorously opposed to anything but the most orthodox approach to reviving economic growth.

In an effort to back up the government claims to be focusing its efforts on bringing down inflation, Mr Solbes said he intended bringing back to parliament draft legislation to make the Bank of Spain autonomous. Passage of this legislation was interrupted by the spring election campaign.

He said he would also be reintroducing legislation to make public contracts more transparent and to weaken the control professions have over the fees they charge.

Mr Solbes said he believed that the recession had already hit bottom in Spain and that the strength of the peseta, following the widening of the ERM bands in which it was allowed to move, was evidence of confidence in the economy.

The wider bands would allow further interest rate cuts, he said.

No reason to mourn, Page 10

Haggling wins more time for Japan's LDP

Continued from Page 1

kawa had emerged smiling from his hotel earlier in the morning and said "this is really a day heavy with history".

The haggling will begin again today and could last until next week. The LDP has given Mr Hosokawa warning that it will be belligerent in opposition.

The LDP demanded the right to appoint a speaker because it is still the largest single party, but the coalition wants Ms Takako Doi, the former Social Democratic Party leader, who would be the first woman to hold the post. The matter is complicated by statements earlier this week from Ms Doi, who initially refused the job and said the speaker should come from the LDP.

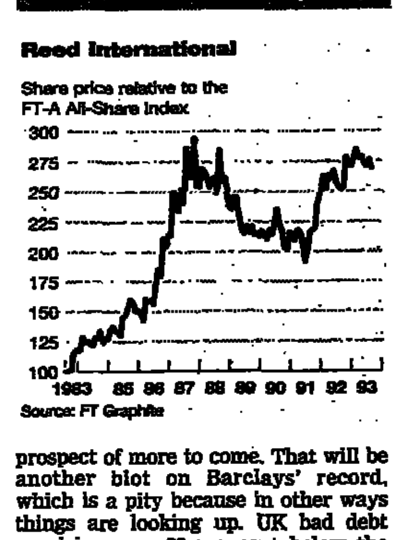
The LDP's other complaint had less merit, as the party itself had set the original schedule for the parliamentary session, due to last until the end of next week. LDP officials complained that the complexity of the coalition made it impossible to reach decisions, although much time was spent bickering over where the two sides should hold their meetings.

The request for Mr Hosokawa to explain his administration's policies is an attempt to have him trip over the party lines of one or other of the coalition members.

By the end of a stressful day in the corridors outside the parliament chamber, Mr Hosokawa's aristocratic charm was under strain, but he concluded that "things like this can happen at a turning point in history".

THE LEX COLUMN

A defensive Shell



Shell's rough handling by the market yesterday was a little surprising, given that profits were at the top end of expectations once restructuring and currency losses had been stripped out. Perhaps it was because BP's figures are viewed with the indulgence granted to a recovery stock. Never mind that Shell has a recovery programme as effective as BP's. Shell is seen as the giant tortoise. Yet that is unfair. Shell is strongly represented in buoyant areas such as US natural gas and east Asian oil refining and is less exposed to the falling crude price than BP. Some further switching from BP to Shell seems in order.

BP, of course, can with some justice flaunt its progress towards meeting the targets it set when the dividend was cut a year ago. The generosity of the market, however, means that attention is immediately switching to what BP will do for an encore. There is room for further corporate slimming, though some of the benefits doubtless will be lost to competitive pressures. The dividend question also cannot be ducked much longer. Since BP yields so much less than Shell, investors will soon be asking when their above average dividend growth is going to arrive.

However necessary BP's retrenchment, it is not sufficient to secure the longer term. BP makes a virtue of necessity when it argues that extra capital is not needed because investment opportunities are thin on the ground. They must be found if BP is not to fall behind the competition. There remains a nagging suspicion that once BP collects its gold star for beating last year's targets, the capital-raising bowl will not be far behind.

Barclays Bank

Barclays' large provisions on its US business plays into the hands of those who argue that it has underprovided in the past. The bank admits that it decided on the provisions only after a close review of businesses which it intends to get out of. Admittedly, there is tactical sense in marking down such assets ahead of sale, but there cannot be many problems in the US which were not apparent at the end of last year. One wonders what similar close inspection of other parts of its loan book would reveal. After the shocks of 1992, a loss of £60m on US mortgage processing business seems almost trivial and was presented with scant apology. It is a large amount nonetheless, and there is a prospect of more to come. That will be another blot on Barclays' record, which is a pity because in other ways things are looking up. UK bad debt provisions are 20 per cent below the first half of last year. Unless the US experience is a harbinger of further second thoughts, the fall in Barclays' provisions may not this time lag that of other banks.

As with its competitors, the rise in dealing profits may not last, but Barclays looks well-placed in terms of operating profit, not least because of the benefit of cost-savings to come. Much of this recovery may already be in the price, but a market capitalisation just below that of National Westminster and first-half operating profit nearly 10 per cent higher helps justify its relatively lower yield.

Reed Elsevier

Early days it may be, but the merger between Reed and Elsevier seems to be developing in the finer traditions of Anglo-Dutch combines, such as Royal Dutch Shell and Unilever, than the more fraught Anglo-French liaisons such as CarnaudMetalbox and Arjo Wiggins Appleton. A 15 per cent increase in interim net income on sales up just 1 per cent at constant exchange rates illustrates the smooth progress. This is especially reassuring as Reed Elsevier has received little help from its markets and no rationalisation profits from the merger so far.

A closer look through the microscope, though, reveals a few worrying blemishes. A 50 per cent profits fall in medical publishing is a smear on the slide suggesting suppositions about the stability of underlying earnings may be exaggerated. Conversely, the muted US recovery hints that Reed Elsevier's presumed sensitivity to an advertising upswing may also be overrated. Meanwhile, fears about VAT being extended in the UK may worry shareholders, no matter how limited the longer term impact of such a move would be. The merger's rationale, though, will only fully prove itself if Reed Elsevier takes bigger bites out of the publishing industry than either party could have managed individually. The acquisition of Editions Techniques is a tasty appetiser. It may be supplemented later this year if Official Airline Guides can be secured. But until such promise is realised, the company's shares may do no more than track the sector.

Gold

Gold's rise this year was fuelled by the well-publicised behaviour of a few investors such as Sir James Goldsmith. But it had an underlying justification, too, in the form of the imbalance between growing demand and shrinking supply. So it is not surprising that World Gold Council figures showing demand growth tapering off caused some bulls to have second thoughts. Anecdotal evidence suggests there has been particular resistance in developing countries to prices over $400 an ounce. Gold may now require a relatively long period of consolidation before establishing itself comfortably above that level.

Sentiment was further undermined yesterday by rumours of a large official sale from China. Such rumours are notoriously difficult to pin down in a market as opaque as gold. But they have at least the ring of plausibility, given that country's need to mobilise liquid foreign exchange. A weak local currency and the clampdown on the overheated domestic economy is a further negative factor. It has stifled the once active trade in smuggled gold for the retail market.

Jewellery demand in the developing world may slowly pick up again once buyers become accustomed to higher prices. The enthusiasm with which bullion greeted the latest ERM crisis suggests lower interest rates in Europe would also help. Not only would the cost of holding gold fall; economic recovery might also revive sliding jewellery demand. The determination of European governments to hold the line on interest rates, though, suggests such comforting news will be slow in coming.

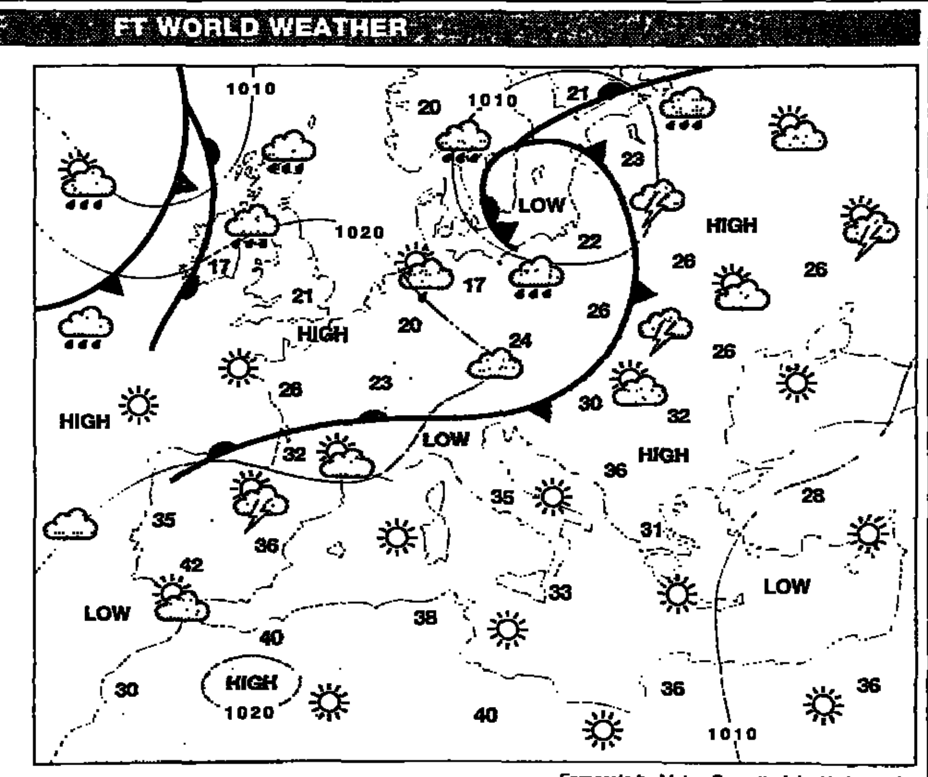
FT WORLD WEATHER

Europe today

Scattered thunder showers will occur to the east and south-east of a low pressure area over the Baltic. To the west and south-west of this low there will be clouds and periods of rain. Thunder showers will erupt in northern Spain, the Pyrenees and extreme southern France. A couple of these showers are expected to produce heavy rain. Mainly calm, sunny, and warm conditions will prevail in south-eastern Europe, Italy, and the western Mediterranean. Unseasonably high temperatures are forecast for central and southern Spain where afternoon readings will be above 40C. In contrast, a frontal system will push bands of rain over Scotland and most of Ireland.

Five-day forecast

Over the weekend, low pressure over the Baltic will move slowly towards Finland taking most of the heavier showers with it. Northern Russia will have a lot of thunder showers on Saturday and Sunday. Throughout the period, the dividing line between warm to hot conditions in the south and somewhat cooler weather in the north and north-west Europe will stretch from central France to the Ukraine.



TODAY'S TEMPERATURES

Forecasts by Meteo Consult of the Netherlands

	Maximum Celsius																
			Berlin	thund	19	Chicago	fair	26	Faro	fair	33	Majorca	fair	38	Rangoon	rain	29
			Bermuda	fair	31	Cologne	cloudy	20	Frankfurt	cloudy	23	Malta	sun	36	Reykjavik	rain	13
Abu Dhabi	fair	40	Birmingham	cloudy	20	Copenhagen	rain	17	Geneva	fair	27	Manchester	cloudy	18	Riyadh	sun	42
Accra	thund	28	Bogota	fair	19	D' Salaam	fair	29	Glasgow	rain	17	Manila	cloudy	30	Rome	sun	32
Algiers	hazy	38	Bombay	rain	28	Dakar	fair	31	Hamburg	shower	17	Melbourne	sun	13	S' Francisco	fair	24
Amsterdam	fair	18	Bordeaux	fair	31	Dallas	thund	36	Helsinki	rain	21	Mexico City	hazy	23	Seoul	rain	27
Athens	sun	32	Brussels	fair	20	Darwin	sun	31	Hong Kong	cloudy	31	Miami	sun	32	Singapore	thund	30
Bangkok	cloudy	33	Budapest	fair	30	Delhi	thund	35	Honolulu	sun	31	Milan	sun	34	Stockholm	rain	18
Barcelona	thund	32	Buenos Aires	cloudy	19	Dubai	sun	41	Isle of Man	cloudy	16	Montreal	fair	24	Strasbourg	fair	24
Beijing	rain	30	Cairo	sun	36	Dublin	cloudy	19	Istanbul	sun	29	Moscow	thund	25	Sydney	sun	17
Belfast	rain	18	Cape Town	fair	14	Dubrovnik	sun	34	Jersey	sun	19	Munich	fair	22	Tel Aviv	sun	33
Belgrade	sun	33	Caracas	sun	29	Edinburgh	cloudy	20	Karachi	fair	34	Nairobi	fair	24	Tokyo	fair	24
									Kuwait	sun	40	Naples	sun	33	Toronto	fair	21
									La Paz	sun	20	Nassau	sun	33	Tunis	sun	38
									Las Palmas	fair	27	New York	shower	27	Vancouver	fair	23
									Lisbon	fair	36	Nice	sun	29	Venice	sun	30
									London	fair	22	Nicosia	sun	35	Vienna	cloudy	27
									Los Angeles	sun	24	Oslo	cloudy	20	Warsaw	thund	22
									Luxembourg	cloudy	21	Paris	fair	24	Washington	fair	28
									Lyon	fair	30	Perth	shower	14	Wellington	shower	10
									Madeira	cloudy	26	Prague	shower	21	Winnipeg	sun	23
									Madrid	thund	40	R' de Janeiro	sun	23	Zurich	fair	24

FINANCIAL TIMES

COMPANIES & MARKETS

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Friday August 6 1993

INSIDE

Commerzbank may sell DBV shares

Zurich Insurance Group has been holding talks with Commerzbank over buying its large minority stake in Deutsche Beamtenversicherung (DBV), a German insurance concern with premium income of some DM3bn ($1.8m). Page 15

US retail recovery patchy

Large US retailers reported widely differing sales results during July, suggesting that recovery in the stores sector remains patchy and subject to promotional activity and regional trends. Page 14

Barclays back in the black

Barclays, the UK's biggest bank, returned to profits, helped by a strong performance from its core banking division. Its interim pre-tax profit of £335m ($499m) compares with a full-year loss of £242m last year. Page 15; Lex, Page 12

Austrian bank complex unwinds

In Austria the financial-industrial networks are very close knit but this week's announcement by Creditanstalt-Bankverein, the country's second largest banking group, that it intends to sell off most of its industrial holdings, indicates that change is on the way. Page 15

Transport Development slumps

Transport Development Group, Britain's second largest haulier, revealed an 80 per cent drop in interim pre-tax profits to £3.5m ($5.2m), fuelled by the £12.4m cost of closing a loss-making business in France. Page 17

Dowty helps TI raise earnings

TI, the UK engineering company, reported a 25 per cent increase in pre-tax profits to £62.8m ($93.57m) for the half year after the acquisition of aerospace group Dowty. Page 18

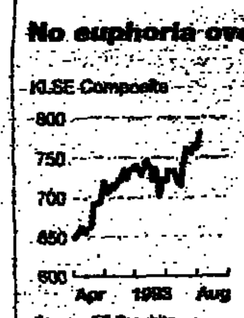
Kleinwort outlook uncertain

Kleinwort Benson Group, the UK-based merchant bank, reported that its pre-tax profits in the first half roughly doubled to £42.2m ($62.9m) but said: "The outlook for the remainder of the year is far from certain". Page 18

T Cowie drives ahead

T Cowie, the UK car leasing, motor trading, bus and tractor group, reported a 28 per cent increase in interim pre-tax profits to £15.5m ($23m) though operating profits slipped. Page 19

No euphoria over highs



Source: FT Graphite

The composite index for the Kuala Lumpur stock market has surged by more than 22 per cent since the beginning of the year. Recently the market has reached new highs, closing yesterday at 785.49. Brokers, however, describe the market as lethargic. "The index might still be going up, but there's not much excitement about," said one.

Back Page

Market Statistics

Base lending rates	34	London share service	27-29
Benchmark Govt bonds	16	Liffe equity options	18
FT-A indices	27	London tradit. options	18
FT-A world indices	Back Page	Managed fund service	30-34
FT fixed interest indices	16	Money markets	34
FT/ISMA Int bond svc	16	New int. bond issues	18
Financial futures	34	World commodity prices	26
Foreign exchanges	34	World stock mkt indices	35
London recent issues	16	UK dividends announced	18

Companies in this issue

Abbey	19	Manders	8
Amic	14	NFC	17
Anglo & Overseas	19	National Home Loans	17
Aspen Communications	19	Nippondenso	14
BAT Industries	27	Paribas French	19
BP	13, 17, 27	Philips	13
BT	8	Pict Petroleum	19
Barclays	18, 15	Quaker Oats	14
Bechstein	13	Reed Elsevier	18, 13
British Alcan	19	Reed International	27
Burton	17	Rentokil	19
CPC	14	Reuters Holdings	27
Commerzbank	15	Rotork	19
Cowie (T)	19	Royal Dutch/Shell	17, 13
Cray Electronics	27	Rustenberg	14
Creditanstalt	15	Schering	15
DCC	18	Sears, Roebuck	14
East Japan Railway	14	Shell Transport	27
Flagstone	17	Singapore Telecom	19
Flogas	18	Starmin	18
Générale des Eaux	19	TI	18
Hanson	27	TR City of London	19
Hoskins Brewery	17	Trans-Natal Coal	14
Jacobs (John I)	19	Transport Dev	17
Jones Intercable	19	Union Bank Norway	15
Kleinwort Benson	27, 18	Vard	15
K mart	14	Wal-Mart	14
Logica	27	Yorkshire Water	19
		Zurich Insurance	15

Chief price changes yesterday

FRANKFURT (DM)				**PARIS (FFr)**			
Rises				**Rises**			
AEG	167.9	+	3.8	Casino	158	+	5.6
GEHE	408	+	12	Gal. Lafayette	1790	+	72
Schering	870.5	+	16.5	Gaumont (Sc 10)	590	+	25
Volkswagen	374	+	12.5	Radiotechn	338.5	+	18
Falls				Vallourec	215	+	15
Asko	715	-	30	**Falls**			
Colonia Konzern	1310	-	40	Docks de Fnce	576	-	12
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
Microsoft	74½	+	1½	Jomo Tekking	408	+	58
Wal-Mart Strs	28	+	½	**Falls**			
Falls				Hokkaido Takush	707	-	23
Barrick Resrcs	25⅛	-	1⅛	M'bishi Plastics	530	-	18
Homestake Mng	19⅝	-	1⅛	Sakura Bank	1620	-	70
Penney (JC)	43⅞	-	2¼	Toshiba Mach	636	-	19
USAir	15⅝	-	½	Toyo Seikan	3050	-	120

New York prices at 12:30.

LONDON (Pence)				Pentland	113	+	6
Rises				Smith New Ct	279	+	14
Alld Lon Props	89	+	5	**Falls**			
Ass Fisheries	139	+	15	Aspen Comms	145	-	50
Barlows	65	+	7	Chaff Res	33½	-	2½
Bett Bros	95	+	11	Comput People	105	-	7
Carr's Milling	117	+	8	Cowie (T)	256	-	11
Daleпак Foods	186	+	9	Drew Scien	102	-	9
Dixon Motors	119	+	6	Haemocell	108	-	12
Eng & O'seas	43	+	7	Liberty	588	-	42
Eurocamp	194	+	7	Monarch Res	171	-	9
Gresham Tele	174	+	10	Tadpole Tech	255	-	17
Joyce	309	+	14				
K'wort Benson	485	+	25				
Linton Park	213	+	13				

Philips rises on cost control

By Ronald van de Krol in Eindhoven

PHILIPS, the Dutch electronics company, reaped the benefits of strict controls on financial expenses and assets to produce a 48 per cent rise in net profit in the second quarter.

The rise to Fl 117m ($61.5m) before extraordinary items, from Fl 70m a year earlier, was achieved despite a 22 per cent drop in operating profit caused by difficult conditions in Europe, particularly in consumer electronics and communications.

Net profit including extraordinaries surged to Fl 1.2bn from Fl 79m a year earlier. This reflected the previously announced gain of Fl 1.1bn on the sale of Philips' stake in Matsushita Electronics Corp (MEC) to its joint venture partner, Matsushita of Japan. Group sales fell 1.3 per cent to Fl 13.5bn.

Mr Dudley Eustace, finance director, was not happy with the continued pressure on profit margins but rather satisfied with progress made on reducing inventories, speeding up payments from customers and pruning working capital.

Operating profit fell to Fl 485m from Fl 626m, but this was matched by a drop in financial expenses to Fl 278m from Fl 411m. Philips' net position was further improved by a cut in its tax bill by more than 50 per cent to Fl 39m, partly because of tax credits for its losses in Germany.

First-half operating profits fell from Fl 1.27bn to Fl 1.05bn while the net figure rose from Fl 241m to Fl 1.32bn.

On the second-quarter figures, Mr Eustace said excellent results were posted by Philips lighting, domestic appliances, semi-conductor and medical system businesses, as well as by PolyGram, its majority-owned London-based record and film company.

However, communications systems saw first-half operating profits dwindle to Fl 55m from Fl 295m. Consumer electronics – Philips' biggest business in terms of sales – narrowed first-half operating losses to Fl 150m from Fl 177m, helped by the discontinuation of sectors such as personal computers and magnetic tape for video cassettes.


Eustace: margins still suffering

Mr Eustace said the pace of disposals would accelerate in the second half of 1993. He declined to predict full-year profits or comment on the likelihood of a dividend after a three-year gap.

Philips's ratio of gross debt to group equity fell to 53:47 from 61:39 at end-1992, partly because of a fall in debt after the Fl 3bn in proceeds from the MEC sale.

Stricter management of trade receivables and other assets produced a surplus of Fl 1.7bn, taking the overall financing surplus to Fl 4.7bn, compared with a deficit of Fl 1.8bn last year.

Debut gain for Reed Elsevier

By Raymond Snoddy

THE NEWEST Anglo-Dutch collaboration, Reed Elsevier, the international publishing and information group, yesterday unveiled a 24 per cent increase in pre-tax profits in its first set of results since the merger.

Currency movements favoured the first-half figures, which rose from £227m ($340m) to £281m before tax and a £16m (£17m) gain on asset sales.

The performance from putting together businesses such as Reed's IPC Magazines and Elsevier's scientific journals represented an increase of 13 per cent in constant currency terms.

"We are pleased that this first set of results for Reed Elsevier shows a strong performance," said the chairmen, Mr Pierre Vinken of Elsevier, and Mr Peter Davis of Reed International. Both companies are separately quoted on both the London and Amsterdam stock exchanges.

They warned, however, that economic conditions remained difficult in two of their main markets – the UK and the US – and had deteriorated further in continental Europe.

The one surprise was the poor performance of medical publishing with profits down more than 50 per cent. Markets were weak and uncertainty affected pharmaceutical advertising in the US, Germany and Italy. Overall the scientific and medical division lifted operating profits 13 per cent to £76m.

Professional publishing showed a 30 per cent rise to £60m, and the consumer division was up 23 per cent to £54m. The business division contributed £105m, up 13 per cent.

Analysts are looking for £517m to £520m for the full year, excluding proceeds from selling a stake in British Sky Broadcasting.

For Reed International shareholders, earnings per share grew 21 per cent under FRS3 accounting rules to 21p. Reed has declared a dividend of 7.5p, up 3 per cent.

Earnings per share for Elsevier shareholders, under FRS3, went up 8 per cent to Fl4.41, with a dividend of Fl1.67.

Lex, Page 12; Background, Page 18

Tracy Corrigan and Sara Webb on a surging market

Bulls on bonds get set for another charge

The bull market in European bonds, which began back in 1990, has been given a fresh lease of life by the shake-up of the exchange rate mechanism last weekend.

This year's sharp decline in yields – already ahead of forecasts – had convinced many experts that the rally was nearing an end.

But, even before the ERM crisis, it was becoming apparent that European interest rates needed to fall substantially to give foundering economies a chance to recover, especially as most countries were enjoying low inflation.

The initial conclusion of this week's reassessment seems to be that, far from petering out in the third quarter, the bull market in European bonds is set fair for another year.

"People are progressively revising down their interest rate targets and that process is likely to continue," said Mr Phillip Saunders, fixed interest investment director at Guinness Flight.

The markets which are set to benefit most from the slackening of ERM strictures are the higher yielding ones, such as Spain and Italy, since their interest rates have the furthest to fall.

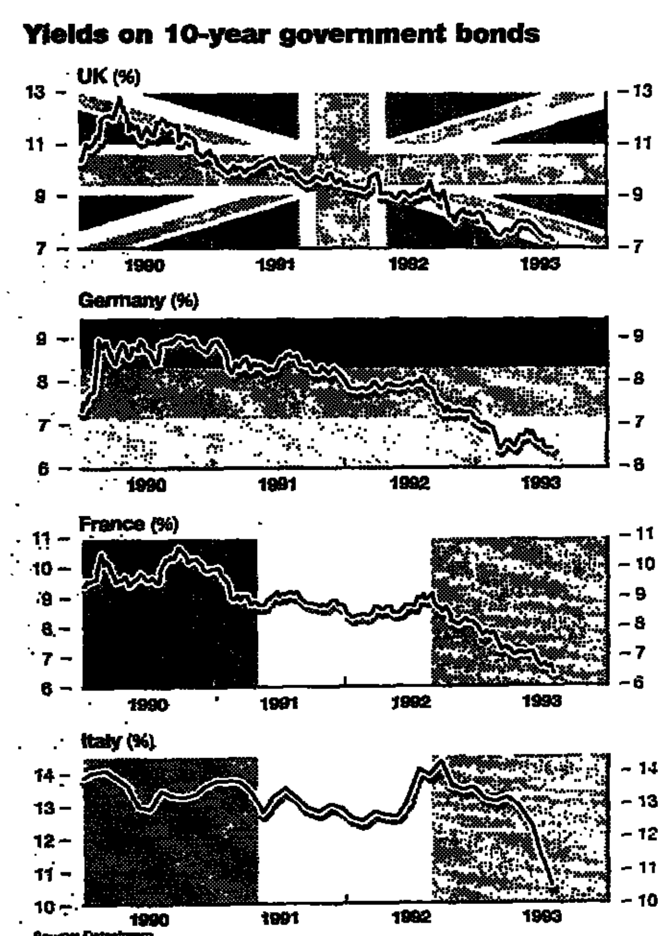
"We've taken our 12-month forecast for 10-year Italian government bond yields [currently 9.2 per cent] down to 8 per cent," said Mr Michael Burke, an economist at Citibank. "We had pencilled in a target of 8¾ per cent, which was already way below the consensus in the market."

There may be lessons to draw from the persistent bull market in US bonds, which has also defied analysts' expectations. "US bond yields are still falling, 10 quarters into a recovery, and conditions here [in Europe] are going to be rougher if anything," Mr Saunders observed.

In Europe, it seems that continental governments are unlikely to follow the pattern set by the UK, where rates were cut rapidly following sterling's departure from the ERM last September.

"It is very noticeable that there has been no stampede to cut interest rates dramatically," said Mr Roger Gray, head of fixed interest and currency at Rothschild Asset Management.

Yields on 10-year government bonds



Source: Datastream

A gradual easing of rates is less likely to increase inflationary pressures. Furthermore, the UK experience of devaluation – higher import prices have been absorbed without boosting inflation – has helped to calm nerves.

"We are in an era of disinflation – it might be too early to say deflation," says Mr Michael Burke, an economist at Citibank, who points out that the latest economic data shows that prices are falling in the UK, France, Ireland and Scandinavia.

The effect is that the outlook for longer-dated bonds appears increasingly positive. Although short-term rates will fall more sharply than long-term rates, longer-dated bonds will still benefit from any rally.

Consensus is also growing that real interest rates will have to fall. So far, real yields on bonds have fallen less than nominal yields. While inflation has declined, official interest rates have been held up to support currencies. Mr Paul Abberley, head of fixed income at Lombard Odier, expects real yields to fall substantially "for real recovery to take place".

In a floating exchange rate environment, investors are likely to change their emphasis from nominal yields to real yields.

"In the old ERM grid, nominal yields tended to converge but in the new set-up there will be something more akin to real yield convergence," according to Mr Jeremy Hale, European economist at Goldman Sachs.

Fund managers are either remaining heavily invested in Europe, or increasing their exposure. Some traders reported heavy flows into gilts and Eurosterling bonds this week from US fund managers, who are not frequent buyers in the gilts market.

Evidence that fund managers are preparing for a further ally in European bonds is provided by their heavy weighting in these markets. Allocation based on the JP Morgan government bond index is around 35 per cent, but most fund managers are overweight in Europe – one London-based manager said he had 85 per cent of assets invested in European bonds.

Property holds key to future of Bechstein

By Judy Dempsey in Berlin

BECHSTEIN, one of the world's most famous piano makers, could be rescued from bankruptcy if it can resolve a property haggle with Berlin's ruling body.

The dispute centres on the status of property owned by Bechstein which the city's senate has first option to buy back.

Bechstein, which filed for bankruptcy on July 22, is in desperate need of about DM40m ($23.5m). It is owed DM9m in outstanding payments.

It has recently paid DM1.5m to its former staff after liquidating a small piano company in Bavaria.

However, it cannot pay its staff in Berlin. Dresdner and Deutsche Genossenschaftsbank, its house bankers, are unwilling to extend a DM3m-DM4m credit line, and its turnover will plummet by DM5.5m-DM15m this year.

In 1988, Mr Karl Schulze, a master piano maker who bought Bechstein back from the US Baldwin piano company, acquired a new site for his factory not far from the western side of Checkpoint Charlie.

The property was bought from the senate for DM19.6m. Bechstein has today a small mortgage of DM2.5m. However, Bechstein is not free to sell the property to raise capital.

"The purchase contract states that in the event of re-sale of the property, the senate has first option, and at a minimum price," explained Mr Leo Durici, Bechstein's sales manager.

The senate is looking into the market value of the property. Mr Durici said it might offer about DM40m.

One banker yesterday said this was a "ludicrous price". Bechstein is not in a position to argue. Neither are the altruists in the senate in a position to offer DM150m, particularly as Berlin is running an annual deficit of more than DM7bn.

The senate could rescue Bechstein, by paying out DM40m, and reap profits at a later date. Or it could let Bechstein sell the property on the open market.

That would allow Bechstein a secure future. It would give it the chance to seek a sympathetic buyer willing to lease it back space in its present headquarters to craft, string, tune and polish the last of the great grands.

Oil groups restructure their way out of high charges, tight margins and low prices

Shell knocked by chemicals losses

By David Lascelles, Resources Editor

ROYAL Dutch/Shell shook the market yesterday by disclosing a £183m ($273m) charge for restructuring, much of it from its loss-making chemical business.

Shares in Shell, the UK arm of the Anglo-Dutch oil group, fell 9½p to 633p.

The charge was included in the half-yearly results, which showed that other parts of the group performed strongly, producing a 20 per cent rise in profits in the second quarter despite a weak oil price and tight margins.

Shell said the cause for the charges had already been announced, though there might have been uncertainty about the timing. Most of them – £112m – related to chemicals. Of this, £13m was to cover redundancy costs, and £99m was for asset sales and write-downs, including the crop protection business which is being divested.

The rest of the charge covered restructuring in the downstream business where Shell is trying to cut costs. Deutsche Shell, the German affiliate, announced yesterday that it was laying off 20 per cent of its staff.

The chemical business made a loss of £151m in the second quarter, bringing its total losses for the year so far to £173m. "Petrochemical market conditions remain depressed with only limited signs of recovery," the group said. The only bright spot was the US, where Shell's chemical operations made a small £16m profit in the second quarter.

A further factor hurting profits was a £141m currency loss caused by the strengthening of sterling against Continental currencies during late spring and early summer. Large currency swings are a recurring feature of Shell's results.

The overall result showed a second quarter profit of £619m, excluding gains and losses from oil holdings. This brought profits for the first half to £1.6bn, an increase of 15 per cent on £1.4bn earned in the same period last year.

Shell's oil exploration and production activities boosted their profits by £60m to £408m. There was also a strong 25 per cent gain in downstream and transport activities where quarterly earnings reached £463m.

Analysts said the market was taken aback by the size of the charge, even though the underlying result was quite strong. "If you strip out the restructuring costs and the currency losses, this was a good set of figures," one analyst said last night.

However, Shell was cautious about the outlook. It said that oil prices had weakened over the quarter because of Opec's inability to agree on quotas, and the prospect of a resumption of supplies from Iraq.

"Although a modest recovery of prices might be expected as demand increases in the second half of the year," it said, "the market is likely to remain volatile."

Lex, Page 12; Details, Page 17

'Better times' for BP

A STRONG gain in second quarter profits yesterday took British Petroleum a step further to recovery from last year's heavy losses.

The group unveiled operating profits of £581m ($865.7m) on a replacement cost basis, which excludes the effect of changes in the value of oil inventories.

Mr David Simon, chief executive, said: "It is no longer the worst of times. It is not yet the best of times. But it is better times."

The result was better than the market had been expecting and BP's shares gained 2½p to 306p.

Much of the improvement came from the severe cost-cutting campaign instituted by Mr Simon. Several thousand people have left the company, and more than $1.5bn of assets have been divested so far this year.

Among the group's operations, the refining and marketing side made the strongest advance by more than trebling profits compared to last year. But the chemicals business continued to suffer from the squeeze in margins, recording a first half loss of £37m, including £24m of restructuring charges.

Mr Simon said the group was still aiming to reach its target of $2bn profit by 1995, along with capital spending of $5bn a year, and annual debt repayment of $1bn. But the returns being earned were still not high enough, and it was too soon to increase the dividend.

Mixed returns from US retailers

By Nikki Tait in New York

LARGE US retailers yesterday reported widely differing sales patterns during July, suggesting that recovery in the stores sector remains patchy and subject to promotional activity and regional trends.

One of the best performers was Sears, Roebuck, the Chicago-based department store group, which recorded a 15.4 per cent improvement in domestic same-store sales last month.

Mr Arthur Martinez, the merchandise group's chairman, said the gain had been "broadly-based", with noticeably strong results from clothing lines and some "hardlines", especially tyres.

The heatwave which has engulfed parts of the US for the past month had produced double-digit sales of air conditioners, while Sears was also seeing an increase in demand for repairs and services from consumers in flooded areas of the Mid-west.

Kmart, the discount store and specialty retailer which this week disclosed it was considering the sale of its PayLess drug store chain, also notched up a much-improved performance last month.

Same-store sales growth reached 3.7 per cent overall, and the domestic general merchandise side registered a 6.3 per cent advance.

This compared with 1.4 per cent and 3 per cent respectively for the first six months of the financial year.

Mr Joseph Antonini, chairman, said the company was "particularly encouraged by the continuing strength in our hardline merchandise categories", although he admitted the increase in clothing sales had been more modest.

Also faring fairly well last month were Wal-Mart Stores, the nation's top-selling retailer, which posted a 9 per cent same-store sales gain in July, and May Department Stores, which saw a 7.1 per cent same-store sales advance in its main department store division.

Among specialist retailers, The Limited posted an 8 per cent increase in comparable store sales, while several electronic goods retailers – such as Tandy and Circuit City – also reported significant advances.

But a handful of retail groups told a less encouraging story.

Woolworth, for example, saw domestic comparable store sales fall by 3.3 per cent in July, while J.C. Penney reported a 3.1 per cent decline in its mainline stores.

The latter said sales in its children's and home divisions had been affected by the moving of promotional events from July 1992 to August this year.

Federated Department Stores, which takes in chains such as Bloomingdale's and The Bon Marche, saw a 0.2 per cent decline in same-store sales last month.

Mr Allen Questrom, chairman, blamed inadequate stocks, plus some planned August promotional activity, for the disappointing returns.

But he added that the July figures "should have no bearing on our business or our performance expectations for the remainder of the year".

Quaker Oats edges ahead to $575m for year

By Nikki Tait

QUAKER OATS, the Chicago-based cereals, pet foods and beverage company, said yesterday that earnings per share in the year to end-June rose by an underlying 31 per cent to $4.25, excluding the effects of adopting new accounting standards, restructuring charges and gains on assets sales.

At the operating level, Quaker saw profits rise from $540.2m to $575.2m, a more modest 6.5 per cent advance, with sales increasing by 2.8 per cent at $5.73bn.

However, with accounting-related and restructuring charges excluded, and gains from asset sales omitted, operating profits would have improved by 13 per cent.

In the final three months of the year alone, Quaker recorded operating profits of $180m, down by 15.1 per cent over the previous year.

Sales reached $1.54bn, little changed from the levels achieved 12 months previously.

The company said that the decline in fourth-quarter operating profits was largely due to increased advertising and merchandising expenditures across most of its important product categories.

Quaker also announced that its board had authorised the buy-back of up to 5m shares. The company recently completed a 3m share buy-back programme, authorised in January 1993.

Japan finalises timetable for flotation of regional railway

By Emiko Terazono in Tokyo

EAST JAPAN Railway, one of Japan's seven state-owned regional railway companies, will start accepting bids today for its share auction ahead of a public offering in October.

The government was last year forced to postpone JR East's flotation because of the plunging Tokyo stock market.

Stockbrokers and the ministry of finance are hoping that the listing will bring back confidence among individual investors, who have been disillusioned by the fall in the share price of Nippon Telegraph and Telephone, which is part-owned by the government.

The auction procedure is an attempt by the government, which faced mounting criticism over the initial high pricing of the NTT offer, to keep the offer price of JR East at a reasonable level.

NTT shares, offered publicly in 1986 at Y1.197m, soared to Y3.18m the following year. However, the stock fell to an all-time low of Y453,000 last August, prompting criticism that it was offered at an inflated price by the government.

The outcome of the JR East listing will affect the timing of that of other government-owned companies, including Japan Tobacco and the remaining six railway groups.

The government also intends to float the remaining 65.7 per cent stake that it holds in NTT.

Half of the 4m shares owned by JNR Settlement, which holds debts and shares of Japan National Railways, the former national railway operator, will be offered in the first tranche.

JNR Settlement will auction 600,000 shares, and will fix a price for the remaining 1.4m shares based on an weighted average of the auction bids.

Investors, including foreigners and individuals, may take part in the auction by submitting bids for a minimum of 50 shares by August 11.

Successful bids will be decided on August 26, and the initial public offering price fixed on August 30.

Weak demand hits Nippondenso

By Gordon Cramb in Tokyo

NIPPONDENSO, the component-making affiliate of Toyota, the Japanese vehicle group, suffered a 10.4 per cent fall in first-half profits to Y27.27bn ($257.3m) before tax, as Japanese demand remained weak and margins were kept under pressure.

Parent company sales were down 4.1 per cent to Y654.2bn. All product groups were affected, although electronic parts and control equipment held up best.

In Japan, Nippondenso, which has operations in several other countries, sells primarily to Toyota, which owns 23.5 per cent of the company.

However, in recent years Nippondenso, the biggest company in the sector, has widened its customer range to include all domestic carmakers except Nissan – and even there has established an indirect tie-up.

Operating profits were down 8.2 per cent at Y20.74bn, and the company, which has large cash deposits, said a fall of some Y1.8bn in other income reflected lower interest rates.

From net earnings per share of Y15.70, against Y21.28, it is paying an unchanged interim dividend of Y7.

For the full year to December, the company projected pre-tax profits down 19.3 per cent to Y53bn on sales 4.2 per cent lower at Y1,300bn.

● Yokohama Rubber, Japan's second-largest tyremaker, saw pre-tax profits fall 29.7 per cent in the half-year to June to Y3.63bn, on sales down 7.9 per cent to Y127.2bn.

It blamed the impact on exports of the stronger yen, as well as the drop in car production.

The company projected full-year profits down 16 per cent to Y10bn before tax, on a 5.9 per cent drop in revenues to Y270bn. It is maintaining an interim dividend of Y3.50, but said it had yet to decide on the final payout, previously Y4.50.

Rustenburg earnings fall to R281m

By Philip Gawith in Johannesburg

RUSTENBURG Platinum, the world's largest producer, suffered a 30 per cent fall in earnings to R281m ($78m) from R402m in the year to June and cut its dividend by 28 per cent to 165 cents a share from 230 cents.

The decline followed a poor first half and a substantial improvement in second-half earnings, which rose by 55.6 per cent to R171.3m from R110.1m in the first half.

The improvement was the result of an average 20 per cent increase in the volume of sales of the main platinum group metals – platinum, palladium and rhodium – and nickel.

Although US prices were mixed – palladium up by 23.1 per cent and rhodium down by 42.6 per cent – the net effect was to increase sales for the second half by 10 per cent to R1.55bn, against R1.41bn, giving total sales for the year of R2.97bn, against R2.91bn.

Earnings fell 30 per cent for the year primarily because of the sharp falls in the rhodium and nickel prices, with the result that revenues were broadly unchanged despite increases in volumes.

The rhodium price averaged $1,807 an oz, compared to $2,683 in 1992, while the nickel price fell to $2.84 a lb from $3.46 in 1992.

Unit production costs rose by only 5.8 per cent, well below inflation.

Of the other two platinum producers in the Johannesburg Consolidated Investment group, Lebowa Platinum improved substantially to record a R0.5m loss, compared with a R9.4m loss in the first half.

Potgietersrust Platinum, the developing mine, should achieve its production target of 200,000 tonnes a month within the next two months. The final capital cost of the mine will be R385m, against initial estimates of R555m.

Trans-Natal Coal's full-year income plunges

TRANS-NATAL Coal of South Africa yesterday warned that with no sign of a major upturn in world spot prices for coal it did not expect to maintain last year's after-tax income in the current financial year, Reuter reports from Johannesburg.

"With no upturn in prices, there's going to a tough year ahead of us," said Mr Dave Murray, managing director.

In line with expectations, the country's biggest coal exporter maintained the full-year dividend at 80 cents a share on a fall in per-share earnings to 144.9 cents, from 180.2 cents previously, before an extraordinary cost of R17m.

After-tax income fell to R115.5m ($34.4m) from R143.6m in the previous year.

Mr Murray said that despite increased sales and cost controls, earnings were still being hit by low spot and contract prices for steam coal exports, particularly in Europe.

Amic pre-tax down 5% at halfway

By Philip Gawith

ANGLO AMERICAN Industrial Corporation (Amic) suffered a 5 per cent decline to R227m ($67.6m) in pre-tax income from R239m at the halfway stage as depressed trading conditions took their toll.

But Mr Leslie Boyd, chairman, said there were clear signs that the South African economy had bottomed out, and he predicted improved earnings in the second half.

The dividend was maintained at 110 cents a share on per-share earnings which, including an abnormal credit, rose by 16 per cent to 327 cents from 281 cents.

Turnover at Amic, the industrial arm of the Anglo American group, rose by 18 per cent to R3.86bn, against R3.28bn, but the increase from continuing operations was only 3 per cent. Earnings from operations fell to R153m from R170m, largely because of lower earnings at Mondi and Boart, two of Amic's unlisted subsidiaries.

Mr Boyd said the group restructuring plans were "fairly well down the road" and should be completed by the beginning of 1994. The aim was to improve Amic's borrowing and tax efficiency.

Amic yesterday, for the first time, gave a more detailed presentation on its main unlisted activities – Mondi, Boart and Scaw Metals.

Attributable earnings at Mondi fell from R172m in 1989 to R51m in 1992.

Over the same period, Boart's earnings fell from R100m to R47m, and were R12m in the first half of 1993.

CPC takes stake in German group

CPC International, the US food company whose brands range from Knorr soups to Hellman's mayonnaise, is buying an 85 per cent interest in Pfanni-Werke Otto Eckart, a German potato products producer, for an undisclosed sum, writes Nikki Tait.

Pfanni makes a range of potato-based goods. The company has three plants in Germany and one in Poland, and annual sales stand at about $220m.

Some of the products are also exported to the US, where they are sold under the Pfanni name.

CPC said yesterday it saw considerable scope for extending the Pfanni brand, and expected to develop the business "aggressively".

NEWS DIGEST

■ RJR Nabisco Holdings is expected to issue 30m shares of $25 Series B cumulative preferred stock totalling $750m next week, according to underwriter Merrill Lynch Capital Markets, Reuter reports from New York.

Merrill Lynch said the expected price for the preferred stock offering was 9¼ per cent.

The issue is rated Ba-3 by Moody's Investors Service and BB-plus by Standard and Poor's, the international ratings agencies.

Net proceeds from the sale of the preferred stock offering will be used for general corporate purposes, RJR said.

RJR Nabisco Holdings currently has about $14bn of debt outstanding from the $29bn of debt incurred in the biggest leveraged buy-out ever in 1989.

■ CAE, the Canadian flight-simulator builder, recorded first quarter profit of C$7.6m (US$5.9m), or 7 cents a share, up 34 per cent from C$5.7m, or 5 cents, a year earlier, on revenues of C$253m, against C$240m, writes Robert Gibbens in Montreal. The group said the commercial aircraft simulator and defence markets remained weak.

Commerzbank may sell shares in DBV to Swiss

By Andrew Fisher in Frankfurt

ZURICH Insurance Group has been holding talks with Commerzbank over the possible purchase of a large minority stake in a German insurance concern with premium income of some DM3bn ($1.8m).

Commerzbank owns a 48 per cent stake in Deutsche Beamtenversicherung (DBV), the subject of the talks.

However, Mr Martin Kohlhaussen, the bank's chief executive, said earlier this year it intended to reduce this to 25 per cent.

The bank, one of Germany's largest, would neither confirm nor deny talks with the Swiss group.

Zurich, which has made clear its desire to expand in Germany, confirmed talks, but gave no details.

Mr Kohlhaussen has indicated that a foreign partner for Wiesbaden-based DBV, quoted on the Frankfurt stock market, would be desirable to help the expansion of the business.

Such a move would also give Zurich, which has a branch in Frankfurt and owns the Agrippina insurance in Cologne, greater access to the German market.

No price has been mentioned. Zurich said a valuation of DBV was under way. DBV is valued at some DM2bn on the stock market, but its DM3bn volume of premium income means the stake sought by Zurich could be worth about DM700m.

A deal with Zurich Insurance would fit in with Commerzbank's strategy of developing its Allfinanz (financial services) activities through partnerships rather than outright ownership.

Its links with DBV and Leonberger Bausparkasse, a mortgage savings and loan company in which it owns 40 per cent, have added considerably to its overall business.

Schering ahead at halfway mark

By Judy Dempsey in Berlin

SCHERING, the Berlin-based pharmaceutical and agrochemicals company, yesterday announced a 3 per cent profit increase for the first six months of the year.

In spite of restructuring costs, the company expects this year's earnings to match those for 1992.

Group sales fell by 1.7 per cent to DM2.87bn ($1.7bn) from last year's comparative DM2.82bn. The lower turnover was partly affected by the appreciation of other European currencies against the D-Mark, as well as sales of operations shed by the company over the past year.

As expected, domestic sales in the pharmaceutical sector continued to be depressed because of recent government health reforms which include a new pricing system for medicines. Domestic sales rose 1 per cent to DM1.99bn. Foreign sales increased to DM2.32bn from DM2.30bn.

The sharp decline in sales in the agrochemical sector, which fell 22 per cent during the first quarter of this year, has slowed down. For the first six months of this year, they fell 8.2 per cent to DM786m, compared with the same period last year.

Schering announced that its shareholders would vote on December 15 for the planned merger of its agrochemical division with Hoeschst, the country's large chemical group.

Barclays profits improve to £335m

By John Gapper, Banking Editor

BARCLAYS, the UK's biggest bank, yesterday returned to profits helped by a strong performance from its core banking division. Its interim pretax profit of £335m ($500m) compared with £51m in the first half of last year and a full-year loss of £242m.

Provisions for bad debts fell £51m, but still stood at £997m.

The bank cut its interim dividend from 9.15p to 6.5p to "rebalance" it after the halving of last year's final to 6p.

Mr Andrew Buxton, chairman, said Barclays was "at an advanced" stage in its search for a new chief executive, from outside, to split his roles. The search started in March after pressure from investors.

"We have had some very high quality candidates, so there is no truth in the rumour that we have found it difficult to find candidates," said Mr Buxton.

The results were affected by an unexpected £285m provision for troubled businesses in the US. The bank has created a United States Transition business holding £4.3bn of assets including poor property loans, its US mortgage processing business, and a portfolio of inadequately priced loans.

The BZW investment banking division made a £234m profit, against £118m. Foreign exchange trading made gross profits before staff and other costs of £137m, against £105m, and other dealing income rose to £247m from £79m.

The bank retained earnings of £84m, against a deficit of £206m. This was the first time since the first half of 1991 that Barclays has managed to retain earnings.

● Douglas Holding, the German perfume and fashion retailer, said it's earnings this year had met expectations, Reuter reports from Frankfurt.

Douglas said it was difficult to predict for the year since much depended on Christmas sales. It posted a group operating profit for the first six months of 1993 of DM43.7m ($25.7m) after DM43m in the same 1992 period.

NEWS IN BRIEF

LVMH buys control of media group

LVMH Möet Hennessy Louis Vuitton, the French luxury products group, has reached an agreement to acquire control of France's Defosses International for FFr110m ($19m), AP-DJ reports from Paris.

Defosses said that while "a large majority of shareholders" had approved the sale, they would meet again on August 23 to finalise it and work out details. Defosses said the accord included a restructuring of the publishing company's bank debts.

Defosses is prominent in French business newspapers, producing the dailies Agefi and La Tribune-Defosses.

■ Banco Exterior, the Spanish bank, said consolidated net profit after minorities rose 7.6 per cent to Pta17.48bn ($131m) in the first half of 1993 from Pta16.24bn in the same period the previous year, Reuter reports from Paris.

Banco Exterior forms part of Argentaria Corp Bancaria de Espana, the state-run banking group.

■ Coca-Cola will invest $1.5bn in eastern Europe between 1992 and 1995, according to Mr Ralph Cooper, the chief of the company's European operations, Reuter reports from Paris.

Mr Cooper said plants and distributions centres built in east Germany had been a valuable starting block for the company in eastern Europe.

■ Holderbank Financiere Glarus, the world's largest cement producer, has taken a 51 per cent stake in Cimenterie de l'Oriental of Morocco for an undisclosed sum, Reuter reports from Zurich.

CIOR, which was up for sale as part of Morocco's privatisation programme, has two cement plants in Oujda and Fes and a trans-shipment facility in Casablanca.

"The Moroccan investment is part of Holderbank's geographic diversification strategy and represents the beachhead for the group's expansion into the Maghreb countries," Holderbank said.

CIOR has annual sales of SFr125m ($83.3m).

Austrian banks loosen the knots

Ian Rodger looks at Creditanstalt's planned sale of industrial holdings

IF Austria were a big industrial power, the US government and the European Commission would have long since forced it to unwind the tight connections between its two top banks and the country's leading industrial companies.

More than in Germany, more even than in Japan, the financial-industrial networks in Austria are astonishingly close knit.

However, this week's announcement by Creditanstalt-Bankverein, the country's second-largest banking group, that it intended to sell off most of its industrial holdings indicates that change is at last on the way.

Bank Austria, the country's other large banking group, has said that it would streamline its large industrial holdings.

In fact, Bank Austria has been adding to its holdings, taking over this year much of Wiener Holding, a sprawling conglomerate which, like Bank Austria, is controlled by the city of Vienna.

Even before that move, Bank Austria's industrial portfolio was impressive. Last year, the industrial companies that it controlled either through majority or large minority share stakes had combined turnover of Sch33.4bn ($2.8bn), cash-flow of Sch1.7bn, and employed nearly 21,000 people.

Among its holdings were large stakes in the leading construction groups Bauwesen and A. Porr; AKG, the specialist electronic equipment maker; the Lenzing textile group; the Perlmooser cement group and the J.M. Voith turbine and paper machine maker.

For its part, Creditanstalt boasts a 74.3 per cent stake in Semperit, the tyremaker; 71.2 per cent of Steyr-Daimler-Puch, the motor group; 72.5 per cent of Treibacher Chemische Werke; 63.8 per cent of Universale-Bau, the construction group; and 59.4 per cent of Wienerberger Baustoffindustrie, the building materials group, among other things.

These holdings are, to a large extent, the result of Austria's unusual industrial development. Until the collapse of the imperial government in 1919, entrepreneurship was largely sponsored by the banks. After the second world war circumstances favoured the banks. The Russians were determined that industrial companies would not fall back into Nazi hands, and so tended to allow only the government and government-controlled banks to buy them up. (The Austrian government holds 75 per cent of the votes in Creditanstalt.)

Thus, the main commercial banks, Creditanstalt and Länderbank, which merged with a savings bank group to become Bank Austria two years ago, became, along with the state and city governments, the main owners of industry.

For a long time, this fitted comfortably with the tight social partnership that guided Austrian political and economic life. The banks were important vehicles for ensuring that jobs at all levels and contracts of all sizes could be shared fairly among the Blacks (conservatives) and the Reds (socialists).

The portfolios were useful in providing the banks with a steadily growing store of hidden reserves. Under Austrian accounting procedures, equity holdings can be stated in the balance sheet at cost.

Outside estimates put Creditanstalt's hidden reserves on its industrial portfolio at about Sch4bn while those of Bank Austria may be worth Sch6bn.

However, in recent years, not only has the social partnership been coming under strain, so have the banks.

Burdened with heavy losses following ill-fated international expansion in the 1980s, Creditanstalt and Bank Austria have had to realise profits on their industrial holdings to balance their books.

For example, at the end of 1991, Creditanstalt sold its stakes in three Austrian brewers for Sch1.5bn. Last year, it covered much of its Sch5.7bn in provisions by crystallising the capital gains on its controlling stake in Wienerberger.

This was done in a curious Austrian way by selling it to a subsidiary. A change in accounting law will soon outlaw this rather murky process which allows the bank to have its cake and eat it, too.

Analysts in Vienna say that by the end of next year Bank Austria may well have had to crystallise the capital gains on all its industrial holdings to cover the costs of its merger and bad loans.

Meanwhile, the capital market environment has changed. Both banks actively promote their shares to international investors, but they are finding that portfolio managers in the UK and the US do not like banks having large industrial holdings.

Creditanstalt has seen the writing on the wall, and has declared that it will run down its industrial portfolio over the next few years.

Mr Guido Schmidt-Chiari, the chairman, says the bank will probably still hold on to minority positions in companies with which it has a strong commercial relationships. "We will be a nearly pure bank, although perhaps not as pure as a UK clearer," he said on Tuesday.

Bank Austria's policy is less clear. Privately, directors indicate that the bank will gradually sell off the portfolio, but publicly they have to be sensitive to the socialist leanings of their main shareholder and so they say they will only streamline or optimise their holdings.

Vard losses widen to NKr212m in first half

By Karen Fossli in Oslo

VARD, the troubled Norwegian cruise and ferry group, yesterday disclosed a sharp deterioration in first-half pre-tax losses to NKr212.20m ($29.4m) from NKr124.54m last year.

The weaker performance is attributed to substantially higher interest payments on debt and losses by the group's ferry operations. The company's shares yesterday closed down NKr2.50 at NKr28.

Group revenue increased to NKr3.35bn from NKr2.69bn as operating expenses widened to NKr2.97bn from NKr2.31bn. Operating profits fell to NKr161.63m from NKr210.21m.

Net financial items for the six-month period rose to NKr373.83m from NKr335.39m. The rise was largely due to an increase in net interest expenses to NKr310.44m from NKr233.33m resulting from a financial restructuring of Kloster Cruise in May when $300m in 10-year secured notes was issued at a coupon of 13 per cent.

Kloster's half-year losses rose to NKr116.9m from NKr100.9m as increased competition in European waters put pressure on summer prices.

Larvik Line, one of Vard's two ferry operations, plunged into a six-month loss of NKr15.8m from profit of NKr11.2m last year, due to stagnation in traffic between Norway and Denmark. Scandi Line, the other ferry operation, also fell into a half-year loss of NKr3.1m against a profit of NKr1.7m, in spite of an increase in passenger volume.

Mr Ketil Arvesen, analyst with Oslo-based Finanshuset, said the general trend in domestic ferry traffic was weak but that Vard's troubles were exacerbated by having to fill a bigger fleet.

Vard last month halted negotiations to dispose of ferry operations to a group of investors led by Union Bank of Switzerland which offered NKr1.1bn for the business.

● Sparebanken Nor, known internationally as Union Bank of Norway, yesterday unveiled a sharp improvement in first-half net profit to NKr741m ($101.5m) from NKr3m last year. Group net interest income rose to NKr1.514bn from NKr1.341bn as operating income increased to NKr2.66bn from NKr1.85bn, helped by a sharp rise in securities gains to NKr575m from NKr77m.

Operating profit in the six-month period increased to NKr1.42bn from NKr663m. First-half losses on loans and guarantees rose slightly to NKr651m from NKr643m. The bank forecast a weaker second-half performance.

Denmark raises record £1.2bn in sterling Eurobonds

By Tracy Corrigan

DENMARK yesterday raised a record £1.2bn in the sterling Eurobond market to replenish its currency reserves following heavy intervention in the foreign exchange market to support the Danish krone in July.

The financing led to speculation that other European governments would also need to raise funds to top up reserves. However, other borrowers may choose to wait until the Autumn as their needs are not thought to be pressing.

Denmark's financing was split into two tranches: a £700m fixed-rate issue, increased from an initial £500m, of 6¾ per cent five-year bonds priced to yield 28 basis points more than the comparable gilt yield; and a £500m offering of five-year floating rate notes paying interest at ⅛ point below the three-month London interbank offered rate.

The financing was split because Denmark wanted to raise both fixed rate and floating rate debt. In the event, it was cheaper for Denmark to tap both markets rather than raise the whole amount in the fixed-rate market and swap a

INTERNATIONAL BONDS

portion into floating-rate funding.

The fixed-rate portion of the offering was considered fairly priced and sold well, prompting an increase in size to £700m.

Dealers were relieved when the launch spread of 28 basis points over the five-year gilt was announced, as there had been rumours that some banks were bidding for the mandate at a spread of 25 basis points. The £500m floating-rate tranche was less well received. The sub-Libor pricing was considered ambitious for Denmark, and dealers said sales were slow.

The all-in cost for Denmark was about 3 basis points under Libor for the floating-rate tranche. Lead-manager UBS accepted that the fixed-rate portion proved more attractive, but added that joint lead-managers UBS and Warburg had "identified a home" for both portions of the offering.

However, some syndicate managers remained unimpressed by the floating rate portion: "I saw this financing as a carrot and stick combination," said one.

The fixed-rate bonds tightened slightly to a spread of 27 basis points while the floating-rate notes were bid below their fixed reoffer price of 99.725 at 99.65.

In the nascent dragon bond market – the south-east Asian foreign bond market – Abbey National Treasury Services became the first UK borrower and the first bank to tap the market.

The $250m three-year deal was arranged by Goldman Sachs Asia and Lehman Asia. The deal followed extensive road shows in south-east Asia to introduce the Abbey National name.

In the Canadian bond market, three more borrowers launched four-year Eurobonds priced over the three-year Canadian government bond benchmark, which has the effect of boosting the yield spread. UBS Australia and Crédit Lyonnais each launched C$150m offerings, while Crédit Local de France launched a C$125m deal.

Elsewhere, the European Investment Bank launched a DM500m issue of 6 per cent bonds due 1997 via Commerzbank.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Abbey Nat.Treasury Services	250	4.875	99.896R	Sep.1996	0.2R	+30 (Wi 3yr)	G.Sachs Asia/Lehman Asia
Philippine Airlines	100	8#	99.4775R	Aug.1996	1.25R	+375(4¼%-96)	Chemical Inv'ment Bank
D-MARKS							
European Investment Bank	500	6	101.365	Aug.1997	1.375	-	Commerzbank
STERLING							
Kingdom of Denmark	700	6.75	99.67R	Aug.1998	0.25R	+28 (7¼%-98)	UBS/ SG Warburg Secs.
Kingdom of Denmark‡	500	(a)	99.725R	Aug.1998	0.15R	-	UBS/ SG Warburg Secs.
YEN							
Mitsubishi Corp. Finance	30bn	3.5	100.15R	Mar.1996	0.3R	-	Goldman Sachs Intl.
CANADIAN DOLLARS							
UBS Australia	150	6.25	99.65R	Sep.1997	0.17R	+40 (8½%-96)	UBS
Crédit Lyonnais	150	6.5	99.285R	Sep.1997	0.25R	+75 (6½%-96)	Crdt.Lyonnais Euro-Secs.
Crédit Local de France	125	6.375	99.9R	Sep.1997	0.225R	+47 (6½%-96)	Morgan Stanley Intl.
DANISH KRONER							
Mortgage Bank of Denmark	300	6.625	100.023R	Sep.1998	0.25R	-	Chemical Inv'ment Bank
SWISS FRANCS							
Deutsche Finance(Neths)(b)*Φ	250	2.5	100.5	Sep.2001	-	-	Deutsche Bank (Suisse)

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. *Private placement. ΦWith equity warrants. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Coupon pays 3-month Libor - 0.125%. b) Fixing: 9/8/93.

Bonds find home in Indonesia's finance family

By William Keeling in Jakarta

INDONESIA'S bond market has often been regarded by investors as the Jakarta stock market's poor relative.

Last year, however, companies raised more finance through bonds than through equity issues, and an active secondary market is emerging.

Until 1990, most bond issues were valued at less than Rp50bn ($24m), carried fixed interest rates, and were bought primarily by state pension funds which held them until maturity.

A 1991 hike in interest rates prompted companies to consider alternative ways of raising finance. The need has become more acute with banks restricting new credit as they grapple with non-performing debt.

The market received a boost last October when PLN, the state electricity company, issued a five-year Rp300bn bond worth more than all the bonds issued in 1991. The company plans a further Rp600bn to Rp900bn issue by the end of this year.

Banks have also started issuing bonds to increase their tier-two capital to meet new capital requirements, raising more than Rp900bn in the last year. And, for the first time, private companies regard bonds as attractive financing instruments. Indah Kiat, a leading pulp and paper company, and Citra Marga, a road construction company, for example, are preparing issues of Rp150bn and Rp275bn respectively.

Since early 1991, most issues have carried a maturity of five years with a six-month fixed interest period, before floating at 100 to 150 basis points above the average of the state banks' deposit rates. Bonds are a considerably cheaper source of funds than the banks, which maintain a spread of up 700 basis points between deposit and lending rates.

"The bond market has been expanding exponentially," says Mr Karl Bohn, director of Sigma Batara Securities, who estimates the market's capitalisation has grown by $850m to about $2bn in the last year and will increase by a further $750m in the next six months.

Brokers have seen increasing foreign interest in Indonesian bonds. There is no restriction on foreign ownership of bonds. But on the stock market foreigners are limited to 49 per cent of a company's listed shares.

Most bonds carry annual interest rates of about 15 per cent. Even given the likelihood of currency depreciation the bonds offer an attractive rate of return relative to main currency deposit accounts.

Mr Steve Kenny, senior technical adviser at Niaga Securities, anticipates a situation where a "foreign investment bank will take a large share of an issue, such as PLN, and then place it with offshore investors".

Bapepam, which regulates the capital markets, has responded to the heightened interest in bonds with a campaign to boost secondary market trading.

Brokers estimate secondary market activity has grown from almost zero in the middle of last year to about Rp75bn a month. Trade is conducted almost entirely off-market, allowing traders to avoid the official transaction fee and capital gains tax.

Bapepam is holding talks with brokers - about 10 houses are actively dealing in bonds - on the market's structure and whether trade should be conducted over-the-counter or via a trading floor.

Brokers are also campaigning for a central clearing house which would provide safeguards against possible fraud - all bonds are issued as bearer bonds.

Despite some problems the momentum of the market is unlikely to be slowed. A new law requiring companies to set up pension funds should, for instance, increase demand for bonds.

Banks have been eager buyers of bonds: Awash with deposits but afraid to lend, bonds have provided them with a low risk means of making a return on their funds.

Gold price declines provide spur for long-dated Treasuries

By Patrick Harverson in New York and Sara Webb in London

SHARP declines in gold prices led to solid gains at the long end of the US bond market yesterday morning.

By midday, the benchmark 30-year government bond was up ¼ at 107$\frac{24}{32}$, yielding 6.525 per cent. At the short end of the market, the two-year note was up $\frac{1}{32}$ at 100$\frac{3}{16}$, to yield 4.134 per cent.

Although still nervous about the possibility that President Bill Clinton's first budget package will fail to pass through Congress, Treasury investors

GOVERNMENT BONDS

were encouraged yesterday by big declines in gold prices. Earlier this year gold prices had risen on revived fears of inflation, but recent inflation data has calmed those fears, leading to some selling of gold.

Yesterday, the Comex gold price dropped more than $10 to under $400, and the sharp decline spurred immediate buying of longer-dated government securities, and helped offset the unexpectedly large 60,000 decline in weekly jobless claims, a figure that normally would have unsettled the bond market.

■ UK government bonds gained almost half a point at the long end on strong investor demand. Both overseas and domestic investors have been snapping up gilts and Eurosterling paper, attracted by the relatively high yields and the low inflation background.

Index-linked gilts continued to perform well, gaining over half a point yesterday. Short-dated conventional gilts held up well although dealers noted some disappointment at the lack of a base rate cut. The September gilt futures contract on Liffe traded at 110.23 by late afternoon, up $\frac{9}{32}$ from Wednesday's close, on volume of 41,086 contracts.

■ EUROPEAN government bond markets wilted or showed only modest gains yesterday as the interest rate cuts which many had hoped would sweep across the continent in the wake of the ERM's weekend revamp proved rather more elusive.

Ecu bonds rallied, and dealers said the actual yield spread over the theoretical yield continued to narrow from around 25 basis points at the start of the week to around zero yesterday.

Dealers noted some switching out of French government bonds into Ecu bonds. "Investors want the high yield pick-up over France, while keeping their exposure to the potential of interest rate cuts in Europe and reducing their currency risk," said one Ecu analyst.

■ SWEDEN'S central bank snipped 25 basis points off its marginal lending rate to 8.25 per cent, boosting the treasury bill sector but leaving longer-dated issues uninspired.

"The market had been discounting a bigger cut – while it was disappointed by the size, it was pleasantly surprised by the timing," said one dealer. Two-year notes ended unchanged with a yield of 6.82/6.79 per cent.

Elsewhere in Scandinavia, the Danish government bond market plummeted, losing nearly a point at the long end as the central bank held its repo rate at 11 per cent. "Short rates are ridiculously high, and it's making the bond market very illiquid," complained one dealer.

■ SHORT-DATED French government bonds weakened on disappointment that the central bank left its key interest rates unchanged again. However, Ms Marie Owens Thomsen, international economist at Midland Global Markets, said she expected interest rates to fall at Monday's repo, predicting that the 10 per cent, 24-hour rate would be replaced by the five-to-10-day rate of 7.75 per cent.

There was some good news in the form of a well-received FFr19.1bn auction of 10-year and 30-year bonds. The average yield on 10-year OATs at auction fell to 6.46 per cent from 6.72 per cent a month ago, while the average yield on the 30-year bond fell to 7.19 per cent from 7.61 per cent at the previous auction.

■ GERMANY saw lively trade with the bund futures contract ending the day firmer. The Liffe contract opened at 96.89 and reached a high of 97.08 before ending at around 97.00.

FT FIXED INTEREST INDICES

	Aug 5	Aug 4	Aug 3	Aug 2	July 30	Year ago	High *	Low *
Govt.Secs (UK)	99.97	99.80	99.88	99.29	99.17	88.18	99.97	93.28
Fixed Interest	120.32	120.03	119.68	119.19	118.73	104.49	120.32	108.67

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 120.32 (5/8/93) , low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	Aug 4	Aug 3	Aug 2	July 30	July 29
Gilt Edged Bargains	125.0	185.0	123.9	137.7	119.1
5-Day average	138.2	142.5	130.0	125.9	116.2

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		9.500	08/03	117.8939	-0.641	6.99	6.90	7.29
BELGIUM		9.000	03/03	113.4700	+0.270	7.02	7.08	7.02
CANADA *		7.500	12/03	102.9250	-0.295	7.09	7.15	7.25
DENMARK		8.000	05/03	107.3750	-0.825	6.93	7.11	6.98
FRANCE	BTAN	8.000	05/98	108.7773	-0.474	5.82	6.14	6.14
	OAT	8.500	04/03	113.2650	-0.960	6.60	6.71	6.75
GERMANY		6.750	04/03	102.3200	+0.100	6.42	6.53	6.67
ITALY		11.500	03/03	107.8100	+0.460	10.46†	11.05	11.11
JAPAN	No 119	4.800	06/99	104.5528	-0.154	3.85	3.93	4.10
	No 145	5.500	03/02	108.5054	+0.134	4.16	4.24	4.32
NETHERLANDS		7.000	02/03	105.1800	-0.230	6.25	6.36	6.48
SPAIN		10.300	06/02	103.6716	-0.182	9.85	10.18	10.11
UK GILTS		7.250	03/98	103-06	+3/32	6.44	6.64	6.68
		8.000	06/03	105-22	+11/32	7.18	7.42	7.53
		9.000	10/08	112-08	+13/32	7.62	7.80	7.94
US TREASURY *		6.250	02/03	102-26	-11/32	5.86	5.82	5.73
		7.125	02/23	107-25	-	6.53	6.60	6.64
ECU (French Govt)		8.000	04/03	108.2500	+0.380	7.08	7.31	7.12

London closing, *denotes New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7.05 pm on August 5

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9⅛ 94	200	104⅝	105⅛	-⅛	4.25
AlbertaProvince 9⅜ 95	600	109¾	110	+⅛	4.64
Austria 8½ 00	400	114	114⅜		5.83
Bank of Tokyo 8⅜ 96	100	107¾	108⅞	+¼	5.16
Belgium 9⅜ 98	250	116⅞	117¼		5.61
BFCE 7¾ 97	150	108	108⅝	-⅛	5.23
BNP 8⅝ 94	300	104⅜	104¾		4.05
British Gas 0 21	1500	12½	12⅞	+⅛	7.64
Canada 9 98	1000	110⅛	110½	+⅛	4.69
CCCE 9¼ 95	300	107¼	107⅝	-⅛	4.35
Council Europe 8 96	100	108	108½	+⅛	5.06
Credit Foncier 9½ 99	300	117⅝	118		5.69
Denmark 9¼ 95	1571	107½	107⅞	-⅛	4.35
ECSC 8¼ 96	193	109⅛	109⅜	+¼	5.18
EEC 8¼ 96	100	108¾	109⅛	+½	4.91
EIB 7¾ 96	250	107⅝	108⅛	+¼	4.89
EIB 9¼ 97	1000	114⅜	114⅝	-⅛	5.39
Elec de France 9 98	200	113⅝	114¼	+⅛	5.55
Euro Cred Card Tst 9 94	325	105	105⅝	-⅛	4.58
Eurofima 9¼ 96	100	110½	111		4.84
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
Arbed 7½ 95 LFr	600	100	101		7.49
Genfinance Lux 9⅛ 99 LFr	1000	108⅜	110½		7.28
World Bank 8 96 LFr	1000	102	103		7.14
Bank Voor Ned Gem 7⅝ 02 Fl	1000	105⅜	105¾		6.82
Energie Beheer 8¾ 98 Fl	500	110¼	110¾		6.39
AlbertaProvince 10⅝ 96 C$	500	109⅞	110⅜	+⅛	6.24
Bell Canada 10⅝ 98 C$	150	113⅜	114	+⅛	7.73
British Columbia 10 96 C$	500	109¾	109¾	+⅛	6.26
EIB 10⅛ 98 C$	130	112	112¾		6.96
Elec de France 9¾ 99 C$	275	111⅜	112	+⅛	7.36
Ford Credit Canada 10 94 C$	100	103⅞	104½	+⅛	5.95
Gen Elec Capital 10 96 C$	300	108⅞	109⅜	+¼	6.47
KfW Int Fin 10 01 C$	400	113⅛	113⅝	+⅛	7.64
Nippon Tel Tel 10¼ 99 C$	200	112⅞	113⅜	-⅛	7.56
Ontario Hydro 10⅞ 99 C$	500	115⅛	115⅞		7.42
Oster Kontrollbank 10¼ 99 C$	150	113½	114⅛	+⅛	7.37
Quebec Prov 10½ 98 C$	300	113⅜	114	+⅝	7.35
Belgium 9¼ 96 Ecu	1250	105⅛	105⅞		6.63
Council Europe 9 01 Ecu	1100	110	110¼	+⅜	7.33
Credit Lyonnais 9 96 Ecu	125	104⅝	105⅜	+⅛	7.08
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS | SWISS FRANC STRAIGHTS | YEN STRAIGHTS | FLOATING RATE NOTES | CONVERTIBLE BONDS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	56	7	17
Other Fixed Interest	12	0	3
Commercial, Industrial	354	200	861
Financial & Property	251	68	489
Oil & Gas	11	19	52
Plantations	1	0	7
Mines	17	63	54
Others	45	42	49
Totals	747	399	1,532

LONDON RECENT ISSUES

EQUITIES

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TRADITIONAL OPTIONS

● First Dealings July 26
● Last Dealings Aug. 6
● Last Declarations Oct. 28
● For settlement Nov. 8
Calls in Saturday editions. [illegible]
3-month call rate indications are shown in Saturday editions.

LIFFE EQUITY OPTIONS

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Allied-Lyons	550	51	62½	71	8	17½	22
(*585)	600	23	34	44	29	41	45
Argyll	300	37	42½	48	5	11	13½
(*328)	330	17½	24½	31½	16½	24	27
ASDA	57	9½	-	-	2½	-	-
(*64)	67	4	-	-	7½	-	-
Brit Airways	316	37	44	-	7½	14½	-
(*341)	345	18½	28	-	18	27½	-
Saml Bchm A	420	34½	45	53½	14	23	27
(*437)	460	15½	26½	34	35½	43½	48
Boots	460	34½	38	50½	11½	19	24
(*476)	500	12½	22½	30	32½	41	45
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT-ACTUARIES FIXED INTEREST INDICES

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT-SE ACTUARIES INDICES

[illegible]

COMPANY NEWS: UK

Strong second quarter lifts BP to £1.17bn

By David Lascelles, Resources Editor

BRITISH Petroleum yesterday reported a strong set of second quarter results which exceeded the market's expectations.

On a replacement cost basis, operating profits in the second three months of the year were £581m, up from £385m last time. After exceptional items, the result was £261m, compared to last time's loss of £812m caused by over £1bn of restructuring charges following boardroom upheavals.

The second quarter figures brought the half-year profit to £1.17bn, compared with £808m for the first half of the previous year. After exceptionals, profits of £510m compared with a previous deficit of £717m.

The second quarterly dividend remains unchanged at 2.1p making 4.2p (6.3p) to date.

The main reason for the improvement was the continuing effect of the cost reduction programme launched last year. Exploration and production made an operating profit of £474m, up from £356m in last year's second quarter, though down from the first quarter of this year. The half year result was £990m, up from £770m.

Refining and marketing made £197m, up from £59m last year, bringing the half year profit to £321m, up from £95m. This was the best quarterly result since 1991, and followed strengthening demand and wider refining margins, and significant cost reductions.

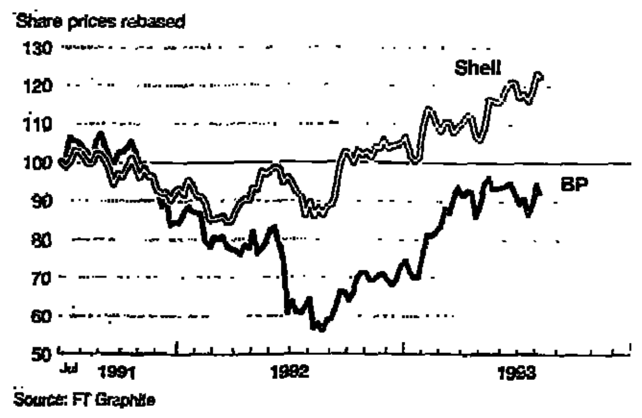
The chemicals business reported a loss of £23m, compared to last year's second quarter profit of £5m. Margins in petrochemicals and polyethylene remain depressed, though they have been offset by improvements in the acetyls, nitriles and specialties businesses and cost savings. The overall first half loss of £37m included restructuring charges of £24m.

BP pursued its strategy of divestment during the first half, realising $1.6bn (£1.07bn) in the period. This strengthened cash flow and enabled BP to continue paying down $1.1bn of debt. However, since debt is largely denominated in dollars, the weakness of sterling left gearing unchanged from the first quarter at 94 per cent.

Mr David Simon, chief executive, said that demand for oil would increase worldwide by about 1.5 per cent, but that did not necessarily mean stronger oil prices because of high levels of supply. Demand for oil products was also weak in the US and Europe, and the trading environment for chemicals was "likely to remain difficult". Disposals were expected to yield total proceeds of $2bn by the end of the third quarter.

Mr John Browne, managing director for exploration and production, said that recent changes in UK taxation were unlikely to alter BP's activity in the North Sea, though it might be refocused.

BP is also optimistic about prospects in exploration areas such as Colombia, Azerbaijan, west Africa, the Gulf of Mexico and the west of Shetlands.



Source: FT Graphite

Royal Dutch/Shell lifted by oil side

By David Lascelles, Resources Editor

ROYAL DUTCH/SHELL raised profits by 15 per cent in the first half of the year as improvements in its oil business more than offset persistent losses in chemicals.

However, the result was below market expectations and the shares slipped 9½p to 633p.

The multinational oil group earned £1.59bn, up from £1.38bn, on a replacement cost basis which removes gains and losses from holdings stocks of oil. This included a 20 per cent increase in second quarter profits from £516m to £619m.

But that quarter included £183m of restructuring charges, of which £112m was in chemicals for redundancy and write-downs. The size of these charges was the main reason for market disappointment with the result.

Profits from exploration and production improved by 22 per cent in the first half, from £813m to £992m. This included a much stronger contribution from the US where Shell Oil was making progress in reducing costs, and where gas prices had recently risen.

The manufacturing, marine and marketing operations also produced higher profits, ahead 35 per cent at £892m (£663m). Although refinery intake was little changed, sales of oil products were up 5 per cent. Again, much of the improvement came from better cost control in the US. Elsewhere, there were £71m of restructuring charges.

But the effect of these improvements was dampened by £173m of losses in the chemicals business, the bulk of which – £151m – was incurred in the second quarter. Petrochemical markets remained depressed with only limited signs of recovery, Shell said, and volumes were affected by maintenance shutdowns at principal plants.

Sterling's strength against other European currencies and the dollar over the second quarter resulted in £141m of currency losses over that period, exceeding the £102m losses incurred in the same period of 1992.

The interim dividends for Royal Dutch and Shell Transport, which account for 60 and 40 per cent of the group's profit respectively, will be announced on September 9.

French closure costs leave TDG 80% lower at £3.5m

By Peggy Hollinger

TRANSPORT Development Group, Britain's second largest haulier, yesterday revealed an 80 per cent drop in interim pre-tax profits to £3.5m, fuelled by the £12.4m cost of closing a lossmaking business in France.

The decline came as TDG warned of an increasingly gloomy outlook for the continental European economy in spite of recent ERM turbulence.

Mr Martin Llowarch, chairman, said it was "a gut feeling that things have not yet stabilised there . . . We believe matters may well get worse before they get better." TDG derives a third of its turnover from continental Europe.

Mr Llowarch was optimistic, nevertheless, saying the pre-tax figures masked a solid performance at the operating level, where profits from continuing operations fell by just £600,000 to £15.9m.

Sales for the six months to June 30 were 3 per cent lower at £276.6m.

"We have taken a one-off hit to deal with a particular situation," he said, referring to the costs of winding up Translittoral, the long-distance haulier.

"The results are quite encouraging against the lack of any economic recovery." He did not expect any further significant provisions.

It was on this basis that the group had decided to dip into reserves to maintain its dividend at 3p.

Losses per share were 1.66p against earnings of 7.51p last time.

TDG had suffered most in continental Europe, where it is heavily exposed in France, Germany and the Netherlands. Operating profits there had tumbled from £4.26m to £2.89m, while margins had dropped by about a third.

The UK returned a 9 per cent improvement in operating profits to £15.1m, largely due to two years of restructuring.

Mr Llowarch stressed that in spite of the improved performance, the group had "not noticed any significant change in economic activity".

He said that the sale of Willig Freight in the US, due for completion in March, had been difficult to finalise. Some $16m (£10.7m) was still outstanding.

However, he remained confident that the new payment programme would be met by the US purchaser.

● COMMENT

Take a look at some of TDG's peers, such as NFC, and investors might have some idea of just how the company will look in three to four years' time. This is a company that seems to be paying the price of starting to cope with recession just that little bit too late. Nevertheless, the work is under way, and the balance sheet is strong with gearing of 17 per cent. There is also the $16m yet to come from Willig. Forecasts are for £35m this year, leaving the shares looking somewhat overvalued on a multiple of 18. It would appear that the market has been somewhat over-enthusiastic following ERM turmoil. Any real effects of European recovery are expected to be as much as 18 months away.

Hoskins rebels active again

By Catherine Milton

REBEL shareholders of Hoskins Brewery, the small real ale brewer, have requisitioned an extraordinary meeting, at which resolutions will be put to remove two directors, Mr Barrie Hoar and his brother Robert, and elect a shareholder, Mr Richard Holman, to the board.

Last year a separate attempt to remove the Hoar brothers, whose family then held 30 per cent of the shares, collapsed when dissident shareholders, also critical of management, failed to win sufficient shareholder support.

Mr Holman, the rebel shareholder leader, said he was waiting for the company to respond to his move.

Mr Holman, who bought into the company at the beginning of this year and holds a 7.4 per cent stake, said he had circulated the company's shareholders and found "considerable support" for management change. He claimed 40 per cent of shareholders were behind him in April when he was preparing to call a special meeting.

He said: "After about eight years the profit and loss account shows a deficit, Hoskins has never paid a dividend and directors fees and emoluments totalled £500,000 in the last five years. Shareholders are not benefiting from this management."

No one from Hoskins was available for comment yesterday.

Burton rationalises Champion

By Neil Buckley

BURTON, the retail group, is selling part of its Champion Sport chain to Cobra Sports for £2m and reducing Champion's operations to its outlets within Debenhams.

The rationalisation is the latest in a series of reforms undertaken by Mr John Hoerner, the American chief executive appointed in February 1992, aimed at turning the group around.

Champion's stand alone stores are expected to increase their losses to £3m for the year to August 28, although the Debenhams outlets are profitable.

The rationalisation will result in an exceptional charge of £5m, consisting mainly of property write-off costs. Analysts are now forecasting full-year profits for Burton of between £30m and £40m, up from £9.4m last year.

Mr Richard North, finance director, admitted yesterday that the Champion chain, formed after Burton acquired Debenhams in 1985, had "never really been profitable as a whole entity."

The sportswear market had been made tough by the recession and lower demand for branded merchandise.

Cobra, the independent sports retailer, has bought 31 of Champion's 43 stores for £2m, and will take on their 400 staff and management.

The remaining 12 stores will be sold or converted into other Burton group outlets.

National Home Loans sells healthcare arm

National Home Loans Holdings has disposed of its controlling interest in Community Health Services, its healthcare subsidiary, which has been acquired by a new holding company.

NHL has exchanged its CHS shares for 35.3 per cent of the new holding company and the remaining 64.7 per cent has been issued to venture capital fund managers Nash, Sells and Partners for £1.5m which will be paid to NHL in settlement of monies lent to CHS. NHL's holding in the new company is worth £984,000.

NFC signs £20m Castrol contract

NFC has signed a £20m contract over five years with Castrol (UK) for the logistics management and distribution of the company's entire range of packaged lubricants to consumer and industrial clients.

Flagstone incurs reduced deficit of £730,000

By Maggie Urry

FLAGSTONE Holdings, the marina, leisure and property group, incurred a reduced loss of £730,000 before tax, down from £2.5m, in the year to January 31, after a return to profits at the operating level.

The group warned that uncertainty over its future working capital, resulting from an acquisition currently under discussion, was expected to be referred to by its auditors in their report on the accounts.

On Monday, Flagstone said it was in talks with another party over a deal which "will have a significant impact on the company's prospects."

The other party has lent Flagstone £500,000 for one year at a 7 per cent interest rate to provide working capital.

Flagstone said yesterday that Charterhouse Tilney no longer acted as its broker. Williams de Broe was advising on the transaction.

Group sales were £612,000 (£1.11m) and operating profits £466,000 (£310,000 loss).

Net interest payable was £208,000 (£407,000) and there was a £573,000 write-down of the company's marina (£625,000 property write down).

Losses per share were 0.53p (1.58p loss).

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends.

Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Investment Trust of Guernsey, Newmarket Venture Capital, Perth.

Finals- CESC, Wholesale Fittings.

FUTURE DATES

Interims-

BPP	Aug. 10
Boddington	Sep. 7
Calderburn	Sep. 1
Malaya	Aug. 13
Thornton Pan Euro Inv	Aug. 11
Wyevale Garden Centres	Sep. 7

Finals-

English & Caledonian Inv	Aug. 11

COMPANY NEWS: UK AND IRELAND

Dowty buy helps TI rise 25%

By Roland Rudd

THE ACQUISITION of Dowty, the aerospace group, enabled TI, the specialist engineering company, to report a 25 per cent increase in pre-tax profits for the half year to June 30.

Profits rose to £62.8m (£50.2m) on increased sales of £736.7m (£471.4m). However, earnings per share fell from 10.2p to 9p.

Sir Christopher Lewinton, chairman and chief executive, said the takeover of Dowty had diluted earnings more than expected because of the softness in the aerospace industry, which he expects to improve over the year.

"I am always asked every time I do an acquisition whether I paid too much at the wrong time. I believe the £500m paid for Dowty last year was the right price at the right time."

The group is in negotiations to sell a number of non-core businesses, a move expected to raise some £100m. About half of this should be completed before the year-end, significantly reducing debt.

Borrowings for the half year rose to £241m, representing gearing of 86 per cent. An interest charge of £5m compared with a credit of £8m last year.

Rationalisation at Dowty led to the closure of 2 of its headquarters, two layers of management and the loss of 1,500 jobs over the past year, reducing the workforce to 5,000.

In the last six months 800 employees lost their jobs, most of them at Dowty. Redundancy costs were part of a £9m (£3m)reorganisation charge.

Sir Christopher described the planned joint venture of Dowty's landing gear business with Snecma's landing gear company, Messier-Bugatti, as a "merger for growth".

The two other core businesses continued to perform strongly. John Crane, producing engineered seals, lifted operating profits to £25.6m (£22.3m). Bundy, making specialised tubes, saw operating profits rise to £23m (£19.7m).

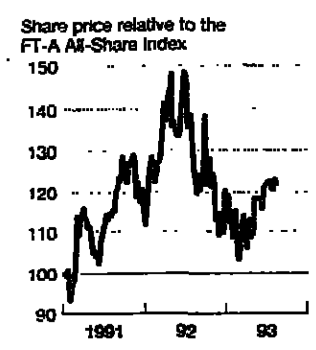
Sir Christopher said: "People forget that 70 per cent of our business is generated by John Crane and Bundy, neither of which are exposed to the aerospace industry."

The interim dividend is raised to 3.85p (3.7p).

● COMMENT

Two of TI's legs have always looked solid, which is why the management has been so keen to remind the City that they generate more than two thirds of revenue. It was the third, Dowty, which looked worrying. The downturn in the aerospace industry has been worse than TI expected. The acquisition could prove more dilutive in the full year than first envisaged, although the company said it should not prove material. The joint venture with Messier-Bugatti should firm up Dowty when it is completed next year. By then investors will have a clearer idea as to whether Dowty is as good a buy as TI says it is. Debt remains high, but the disposal programme should, to a large extent, remedy that by the year end. With forecast pre-tax profits of £130m, the shares - up 7p to 358p - look fairly priced on a prospective multiple of 18.8.

TI Group



Source: FT Graphite

DCC offer values Flogas at I£79.4m

By Paul Taylor

DCC, the Dublin-based private industrial holding company founded and run by Mr Jim Flavin, yesterday bid 335p a share to lift its 29.9 per cent stake in Flogas, the publicly quoted Irish distributor of liquefied petroleum gas, to 60.1 per cent.

The bid values Flogas, which is the UK and Ireland's second largest supplier of LPG, at I£79.4m (£74.5m). Its shares closed at 240p.

Yesterday Flogas directors, who are recommending the partial cash offer, estimated that the group would report a pre-tax profit of I£6.5m for the six months to June 30, equivalent to earnings per share of 23.3p. The offer price represents a multiple of 13.9 times estimated earnings.

In the 13 months to June 30 last year Flogas reported pre-tax profits of I£7.2m and earnings per share of 23.9p.

DCC, which has interests in five core sectors including the energy and waste oil management sector, said it was making the partial bid to expand its interests in this area.

Under the terms of the offer, Powerimpact, a subsidiary of DCC in which the executive directors and another executive of Flogas will have a 20 per cent minority interest, is bidding for up to 7.37m Flogas shares.

Flogas shareholders, other than DCC which already holds 7.32m Flogas shares, who accept the offer will be assured of receiving 335p for up to 43 per cent of their individual holdings. Flogas directors hold 1.87m shares, equivalent to a 7.6 per cent stake.

DCC said that Flogas would retain its existing executive and non-executive directors and management.

The committee of independent Flogas directors, advised by SG Warburg, has said that it considered the partial offer to be fair and reasonable and have unanimously recommended it.

Kleinwort Benson doubled to £42m

By Norma Cohen, Investments Correspondent

KLEINWORT BENSON Group, the merchant bank, reported pre-tax profits of £42.2m for the six months to June 30, almost double the £21.3m achieved in the comparable period.

Lord Rockley, chairman, said that all sectors of the business contributed to the rise. "Higher operating profits were consistent throughout the group. There were no one-off contributions".

The company has given no indication that it expects the surge in profitability to continue throughout the year. "The outlook for the remainder of the year is far from certain given international tensions and potential problems in world trade, but we believe we are soundly based to pursue a policy of further growth," the company said.

However, it did not break down the contributions of its securities trading activities - which have benefited from strong markets in the first half - and corporate banking activities which have lost market share in recent years.

The corporate finance division, although strong in overseas markets with particular emphasis on privatisations, has lagged in the UK. This performance was said to be one of the factors which led to the dismissal of Mr Jonathan Agnew, chief executive, in May.

Lord Rockley said that rebuilding the group's stable of corporate clients was among his chief priorities, although there would be no change in overall strategy.

"What we will hope to do is to distinguish in people's minds the competence that Kleinwort Benson has and sell ourselves with more vigour." Among the group's recent successes in the UK was a mandate to handle the flotation of half of Banque Indosuez's Gartmore fund management subsidiary.

He said the group was still a long way from naming a successor to Mr Agnew. That point is causing some concern with securities analysts who doubt the group's ability to revive its fortunes without a strong chief executive.

The bank continued to pare back its loan book which fell to £1.9bn from £2.1bn at year end. Lord Rockley said the group will withdraw from corporate lending to those unlikely to generate any additional fee-based business.

The interim dividend is raised from 5.3p to 6p, payable from earnings of 24.1p (10.8p) per share.

Barclays making heavy charges for US assets

By John Gapper, Banking Editor

THE US Transition business announced yesterday by Barclays follows a review of operations which started last summer and discovered three groups of assets that the bank decided were probably not worth book value.

The review was led by Mr Richard Webb, who was appointed US chief executive in January after Mr John Kerslake retired. It led to doubtful assets being isolated, although executives insist that it is not simply a poor asset "bad bank".

First element is Barclays/American Mortgage. This has the right to receive fees for processing the mortgage books of other lenders. But as interest rates have fallen, many borrowers have paid off mortgages to refinance them at lower rates.

This has reduced the value of the earnings stream, and the bank has made a £60m specific provision against this. It hopes to develop the business by originating new mortgages and securitising them through its BZW securities arm.

Second is a book of poorly-priced corporate loans which *the bank made in the late* 1980s, some on margins as low as 15 basis points. Although they are performing it has made a £106m general provision to prepare them for sale.

Third is a book of non-performing corporate loans, mostly in real estate, on which Barclays has made a £107m specific provision. The final £10m of the £285m total loss for the business came from items such as staff costs.

The £276m provision contributed to a total of £997m (£1.05bn) in the first half of 1993. UK specific provisions fell to £657m (£825m), helped by fewer large corporate provisions, but French problems lifted EC provisions to £81m (£31m).

The core banking division, including UK branch banking and corporate and institutional banking, raised profits to £407m, against £98m. This was despite a fall in lending volumes, particularly in the corporate sector.

Net interest income in corporate banking increased due to a £102m fall in provisions, many on property-related lending, wider lending margins and cost reduction efforts. Barclaycard, the UK credit card arm, improved "substantially".

The bank maintained its margin on interest-bearing assets at 3 per cent, and raised the spread between interest earned on loans and paid on liabilities to 2.5 per cent (2.2 per cent). This was achieved by hedging of liabilities.

The core tier 1 capital ratio was 5.6 per cent (5.9 per cent). It raised £634m of tier 2 capital, increasing the capital adequacy ratio to 9.7 per cent (8.9 per cent).

Post-tax return on equity was 7 per cent, and Mr Andrew Buxton, chairman, said the target remained 15 per cent. It was content with a target below National Westminster's 17.5 per cent because it did not want to take on excess risk.

Mr Buxton said the bank was maintaining its market share of lending, but this was not vital. "We can afford to lose a bit of market share as long as we come out with a better business," he said.

Earnings per share rose to 11.7p (losses 3.7p) and the interim dividend is cut to 6.5p (9.15p).

Buyer of Starmin assets faces charges on unrelated issue

By Catherine Milton

ONE OF the men at the centre of deals connected with Starmin Group's disclosure that reported full year losses had been understated, was last year charged with offences under the Theft Act in an unrelated matter.

Mr Brian Masterson, director of the privately-held Jeniva Landfill and its subsidiary Chepstow Environmental Services, faced the charges at Bow St Magistrates Court, London last August.

Starmin, a quarry products company, is chaired by Lord Parkinson, the former cabinet minister, and was, until July, controlled by the Abdullah brothers, who earlier had built up the Evered aggregates company.

In July Starmin announced a review of its 1992 accounts. On Tuesday the company said that a change in accounting policies meant that instead of pre-tax losses of £8.06m for 1992, losses totalled £11.9m. The proposed final dividend of 0.2p will not now be paid.

The charges against Mr Masterson arise from his position on the board of the Caird Group waste management company in the late 1980s. The case was remanded to Southwark Crown Court and a trial is set for January next year.

Starmin's advisers said that the company regarded Mr Masterson as "one of the top men in the quarry business". Starmin had felt he could enhance the value of some of its sites.

The understatement of Starmin's losses hinges on profits having been booked on disposals which have now been reversed.

The company had recorded a £1.4m profit on the sale of some assets and landfill facilities to Chepstow in December 1991. However, that deal had fallen through by April 1992.

In May 1992 a company controlled by Mr Masterson, Environmental Protection and Disposal, bought Chepstow for £1.89m, mainly in loan notes, and sold it to Jeniva in December that year for £1.85m in shares and an undetermined deferred consideration.

Jeniva took on Chepstow's original purchase of assets from Starmin plus an additional quarry with a £100,000 net book value, and a £160,000 cash injection from Starmin. It paid for them with its own shares, representing 35.5 per cent of its total equity. Starmin booked an extra profit of £250,000 on the sale of the additional quarry.

Starmin said a balance of £1.26m which had been recorded as 'owing' from Chepstow was now being written off, while the £750,000 investment in Jeniva had been written down to its cost of £438,000.

The balance of the increased losses stemmed from other transactions and a provision of £1.03m related to non-core activities.

Accounts filed in January for Jeniva and EPD showed that both were qualified by their auditors who prepared them on a going concern basis.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Abbey	fin	2¶	Oct 4	1	2	1
Anglo & Overseas	int	1.75	Sept 17	1.75	-	6.85
Aspen Comms §	int	2	Oct 29	2	-	4.9
Barclays	int	6.5	Oct 11	9.15	-	15.15
BP	int	2.1☆	Nov 7	2.1	-	10.5
Cowie (T)	int	2.35†	Oct 15	2	-	6.25
Elsevier	int	1.67‡	Oct 22	-	-	2.61
Jacobs (John I)	int	0.5	Oct 28	0.5	-	1.9
Kleinwort Benson	int	6	Oct 18	5.3	-	16
Reed	int	6	Oct 22	5.5	-	12.75
Rotork	int	1.75	Oct 29	1.55*	-	3.72*
TI	int	3.85	Oct 15	3.7	-	10.7
TDG	int	3	Nov 5	3	-	9.5
TR City London	fin	1.23	Aug 31	1.19	4.8	4.76

Dividends shown pence per share net except where otherwise stated. *Adjusted for scrip issue. †On increased capital. §USM stock. ¶Irish pence. ‡Gross in Dutch guilders. ☆ Second interim making 4.2p to date.

A technique for success

Raymond Snoddy on the Reed/Elsevier merger

ASK THE chairmen of Reed International and Elsevier, Peter Davis and Pierre Vinken, what difference the merging of their two companies has meant in the past six months and they say - Editions Techniques.

The first results announced yesterday by Reed Elsevier, now one of the world's largest publishing and information groups, were good - a headline profit before tax of £281m for the six months to the end of June.

But it was the acquisition of Editions Techniques, France's largest legal publisher completed last month in a £77m deal which demonstrates, they believe, the benefits of merger.

Reed International, which owned Butterworths, the *English legal publisher*, had been interested in Editions Techniques for some time but had never been able to buy it.

Reed, Mr Davis confesses, had found it easier to expand in the English language common law countries of the Commonwealth.

Pierre Vinken, a former neurosurgeon, had plenty of experience of medical publishing, none in the specialist field of the law. Together they managed to buy the company.

"The negotiations were all conducted in French - fluent French," says Pierre Vinken pointedly. The task was assigned to the old Elsevier finance team which is based in Neuchatel in the French-speaking part of Switzerland.

"Symbolically and strategically, it was much more important than £77m," says Mr Davis of the deal.

The acquisition is a small example of what the merger was supposed to be primarily about - providing complementary entrées to different markets, Reed to continental Europe, Elsevier to the US, rather than cutting costs.

Then there is the extra clout that the combined resources of the two companies can make available if the right opportunities come along.

Their gaze at the moment is focused on Official Airline Guides, the former Maxwell company being sold by administrators Price Waterhouse. Reed Elsevier, which has signed a non-exclusive letter-of-intent to pay $425m (£285m) for the business, is now in the final stages of due diligence.

The outcome for Reed Elsevier could still be influenced by the sale of Macmillan, the US publisher, now under way. The Robert M Bass group together with Paramount are seen as favourites for the Macmillan deal but they have made it clear they want OAG as part of the package. "It's like playing chess on two boards," says Pierre Vinken.

Even if Reed Elsevier fails to get OAG, there appears to be no shortage of potential takeover targets for the company. It has a list of 15-20 prospects, many of them in continental Europe and the US.

The basic work of integrating the two companies has been carried out and both sides said yesterday it was working well.

One question no-one at Reed Elsevier could, or would, answer yesterday was how the pre-merger businesses were doing relative to each other.

"My businesses are doing better than your business? We don't have conversations like that," said Mr Davis.

Trevor Humphries

Pierre Vinken (left) with Peter Davis: £281m at six months

Cowie accelerates to £15.5m

By Paul Taylor

T COWIE, the car leasing, motor trading, bus and tractor group, yesterday reported a 28 per cent increase in interim pre-tax profits from £12.1m to £15.5m.

Turnover in the 6 months to June 30 rose to £393m (£322m), including £44.8m attributable to the acquisition of the Keep Trust motor group which was completed in May.

Earnings per share increased by 20 per cent to 8p (6.68p), based on a 33 per cent tax charge, and the interim dividend is lifted to 2.35p (2p).

Sir Tom Cowie, who is retiring as chairman at the end of this year, described the results as "more than creditable."

Mr Gordon Hodgson, chief executive, said they reflected "continued organic growth and cost-saving innovations in our contract hire operations, together with our acquisition of the Keep Trust motor dealership and strong performances from our bus and coach divisions."

However, there was a decline in operating profits to £28.7m (£31.6m) partly reflecting the impact of falling interest rates on the core finance division where interest income fell by £4m. Keep Trust's 18 franchised dealerships contributed £831,000 to operating profits in the period.

Interest charges fell from £19.3m to £13.2m, mainly reflecting falling interest rates. Borrowings totalled £290m or 230 per cent of shareholders' funds at the half year, down from £309m at end-December.

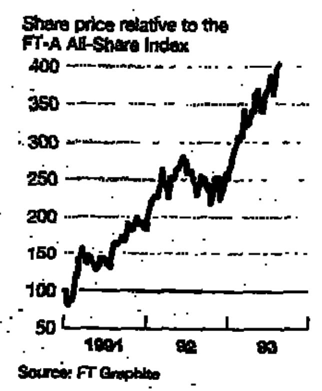
The group gave a further divisional breakdown of its profits at the pre-tax level.

The vehicle leasing business increased profits 31 per cent to £10.7m (£8.16m) on turnover of £117.6m (£124.8m). Yesterday Cowie Interleasing announced the acquisition of the corporate fleet management operations of FMM Group, a subsidiary of Commercial Union.

The expanded motor division, which now comprises 42 dealerships, ranking Cowie as the fourth largest motor retail group in the UK, lifted profits to £3.68m (£3.48m) on increased sales of £249.4m (£174.8m).

T Cowie

Share price relative to the FT-A All-Share Index



Source: FT Graphite

Sir Tom Cowie: more than creditable results

COMMENT

Even though Cowie's results were broadly in line with expectations the market reacted unenthusiastically yesterday pushing the shares down from 267p to 256p. Some investors may have been surprised by the conservative tax charge – unlikely to be as high at year end – and may have been expecting a bigger fall in interest costs. Nevertheless, the leased fleet should continue to grow in the second half and new car sales in August look good and margins should improve when manufacturers incentives resume. Excluding the second half exceptional £4.6m profit on the sale of the group's Henlys shares last month, full-year pre-tax profits should reach £33m, producing earnings of about 17.6p and a prospective p/e of 14.5. The shares still rate a buy.

Rotork advances 28% to £6.2m

By Andrew Bolger

SHARES IN Rotork rose 6p to 178p after the Bath-based valve control manufacturer reported a 28 per cent increase to £6.2m in first half pre-tax profits.

Sterling's devaluation helped to increase sales by 26 per cent, to £34m, in the six months to June 30.

The company said that although the strength of its order book indicated some further improvement in the second half, when small acquisitions would be contributing for the first time, general market weakness justified a note of caution.

Rotork Actuation, which makes valves to open and close pipes, traded strongly in the first half of the year, with record bookings and shipments.

The company said that while Actuation was enjoying unparalleled demand, many of its markets were, paradoxically, under varying degrees of economic pressure.

"Here depreciation of sterling has been a significant help in countering savage pricing from major international competitors seeking to win back lost market share."

Rotork Instruments experienced good input for its emergency shutdown systems in the first half despite generally low levels of capital commitment in the UK.

Rotork Analysis, however, which supplies air monitoring equipment, found orders hard to come by.

In May, Rotork acquired the Hallikainen range of refinery analysers for £1.16m. Coupled with Rone, the group said that the gas market could grow once economic and legislative conditions improved.

Earnings per share advanced by 29 per cent from 3.5p to 4.5p.

The interim dividend is increased from an adjusted 1.55p to 1.75p.

Jones Intercable raises £153m for Leeds project

By Raymond Snoddy

JONES Intercable of the US has raised £152.5m of equity and debt finance to pay for the construction of a cable network in Leeds covering 290,000 homes and 19,000 businesses.

The deal, arranged by NatWest Markets, the corporate and investment banking arm of National Westminster, is the first of its kind in the UK cable industry involving both equity and non-recourse debt.

It comes two weeks after TeleWest, the UK's largest cable operator, raised a £190m loan facility to fund its network construction.

Mr Garry Stephen, head of media and telecommunications at NatWest Markets, said the financing underlined a new level of confidence in the cable industry in the City.

"In the 1980s there was bad news about the industry. Now there is a flow of good news about cable and people are being attracted to the industry," he said.

Equity investors, which will subscribe £77.5m of equity, include Jones Intercable, which has 57 cable franchises in the US; Cable and Wireless; PaineWebber; Chemical Venture Partners; Capital Cities/ABC; NatWest Ventures and VEBA Immobilien, the German housing company.

Four UK institutions are also investing but declined to make their names public.

The £75m syndicated loan has been underwritten by National Westminster Bank, ABN Amro Bank and the Bank of Novia Scotia, which was also involved in the TeleWest financing.

Mr Alan Bates, managing director of Jones Cable Group, said construction would begin in February with the first customer expected to sign on in June 1994.

Both cable television services and telephony, through Mercury Communications, will be offered.

Telephony is the fastest growing part of the cable business and it is the dual stream of revenues from television and telephone services that is attracting new investor interest.

Jones also plans to bring one of its US cable television channels, The Computer Network, which teaches computing, to the UK.

Following the financing Jones, which holds franchises covering about 1m homes in the UK, is likely to try to buy additional UK franchises.

By the beginning of June there were 465,000 cable subscribers in the UK and 2.5m homes were passed by cable networks giving a penetration rate, or ratio of subscribers to those who could subscribe, of 21 per cent.

International alliance plans £200m Yorkshire cable network

By Andrew Adonis and Kieran Cooke

GENERALE des Eaux, the French diversified services group, is combining with Singapore Telecom and Yorkshire Water to invest about £200m in a cable system for Yorkshire.

The move is further evidence of the growing appeal to overseas investors of UK cable TV and telephone franchises as operators building cable networks in conurbations report high take-up rates for the new services. The two overseas companies already have UK cable interests – Singapore Telecom with an interest in two cable franchises and Générale des Eaux in nine, including six in Yorkshire, operated as Yorkshire Cable by its General Cable subsidiary.

Yorkshire Water, which is to put up about 10 per cent of the equity, is the first of the privatised water companies to take a cable stake.

Its involvement marks a further advance by the privatised utilities into the telecommunications market. National Grid is financing the construction of a new national long-distance fibre-optic network using its pylons.

The £200m will be invested in Yorkshire Cable, which holds six franchises in the county – Bradford, Barnsley, Doncaster & Rotherham, Halifax, Sheffield and Wakefield.

As yet, large-scale construction has taken place only in Bradford, where the company reports a 30 per cent take-up of cable telephony in areas covered. Between them, the franchises extend to more than 800,000 homes.

Singapore Telecom and Générale des Eaux will each take a 45 per cent stake in the project, making an initial investment of about £80m. ST, due to be partially privatised before the end of the year, is one of Singapore's biggest and most profitable state run enterprises. In recent months it has made significant investments overseas, with 14 ventures in 11 countries.

Mr Joe Delahunty, a director of General Cable, said Générale des Eaux was anxious to form an alliance with an established telecommunications operator. "We see Singapore Telecom as innovative and aggressive, and this was a suitable opportunity," he said. The three companies said they were attracted by the "unique British regulatory freedom" which allows operators to offer both cable TV and telephone services over the same network.

Most of the investors in the UK cable industry are US telecommunications companies forbidden by US regulatory constraints from offering entertainment services in the US.

In the UK, BT is forbidden by the government from offering entertainment services on the public telephone network.

John I Jacobs at £46,000 midway

JOHN I Jacobs, the shipowning and shipbroking group, announced pre-tax profits of £46,000 for the half year ended June 30.

The comparable outcome has been restated in accordance with FRS 3 and accordingly the £2.85m achieved on the disposal of Jacobs Offshore has been included in the pre-tax figure of £3.44m.

The Directors said that the broking departments had achieved increased levels of activity and there were indications that the improvement would be more than sustained during the second half.

The coaster fleet achieved better results than in the second half of 1992, they said.

It was unlikely that the group would have to commit any further new cash resources to the shipowning activity.

Turnover advanced to £1.45m (£1.13m) and operating profits came out at £125,000 against losses of £110,000.

There were earnings per share of 0.5p (11.5p) and a maintained interim dividend of 0.5p is declared.

Pict raises £1.44m via stake sales

PICT Petroleum, the oil and gas exploration and production group, has sold its equity stakes in three oil companies, Croft Oil & Gas, Edinburgh Oil & Gas and Tullow Oil.

The total price realised of £1.44m was close to book value. The company said the proceeds would be added to reserves.

The Edinburgh Oil and Tullow stakes were acquired in 1989 and 1990 as part of the sale proceeds arising from Pict's withdrawal from onshore UK exploration and production. The Croft shares were acquired in 1992 as part payment for the sale of its interest in the Claymore field.

Pict has now sold all its equity interests in non-affiliated oil and gas companies.

Anglo & Overseas assets rise

OVER THE six months ended June 30 1993 net asset value at Anglo & Overseas Trust increased from 379.6p to 427.1p per share.

A year earlier it stood at 311.1p.

For the 1993 half year gross revenue rose to £9.01m against £7.89m. Interest payable fell to £1.87m (£1.58m) and administrative expenses took £862,000 (£794,000).

After tax of £2.06m (£1.82m) available revenue worked through at £4.28m against £3.76m for improved earnings per share of 3.75p compared with 3.29p.

The interim dividend is again 1.75p.

The trust invests in publicly quoted companies worldwide.

Rentokil in £2.2m acquisitions

RENTOKIL Group has made further acquisitions totalling £2.2m.

It has purchased the indoor plants business of Plantopia, which operates in Johannesburg and throughout the Transvaal, South Africa.

Two smaller tropical plants acquisitions, Luwasa Hydrokulture Sydsvenska in Sweden and Planteteknikk in Norway, have also been made.

Computer Cleaning Associates, with activities in the south of England and sales of £220,000, is also joining the group.

This latest investment by Rentokil follows the recent completion of its £75.7m bid for Securiguard Group.

TR City of London net assets up

TR CITY of London Trust lifted net asset value by 18.5 per cent, from 112.8p to 133.64p per share, over the 12 months to June 30.

The return, including reinvestment of dividends, amounted to 23.3 per cent, again outperforming the FT-A All-Share Index.

Reduced dividend income, especially from higher yielding equities, and lower bank deposit interest received left net revenue at £9.02m (£9.26m) for earnings of 4.59p (4.76p) per share.

A fourth interim dividend of 1.23p brings the total for the year to 4.8p (4.76p); directors anticipate a total of not less than 4.92p for the current year.

Abbey ahead to I£2.65m as dividend is doubled

ABBEY, the residential estate developer, raised pre-tax profit from I£1.55m to I£2.65m (£2.49m) in the year ended April 30 1993, despite an exceptional charge amounting to I£1.15m.

Shareholders receive a dividend doubled to 2p, payable from earnings of 4.06p (2.7p) per share.

The charge covered two write downs – I£630,000 at one housing development and I£519,000 on the valuation of an investment property.

Mr Charles Gallagher, chairman, said improving market conditions in the last quarter led to the UK housebuilding side completing 508 sales with turnover of I£28.9m and operating profit of I£2.8m.

The plant hire division suffered from the decline in overall construction activity; it incurred a trading loss of I£448,000 after the costs of closing three depots.

In Ireland the Dun Laoghaire site had been sold and 28 plots purchased at Monkstown.

Assets improve at Paribas French

Paribas French Investment Trust reported a net asset value of 124.57p per share as at June 30, up from 118.34p at the December year-end and 104.26p at the end of June 1992.

Net revenue for the six months improved from £183,891 to £253,794 equivalent to earnings per share of 0.85p, against 0.61p.

Aspen shares tumble on setback

SHARES OF Aspen Communications yesterday fell 50p to a low for the year of 145p on news of halved operating profits for the six months to end-June.

However, exceptional credits of £865,000 following the sale of its commercial radio interests enabled the USM-quoted supplier of printing, media and communications services to lift its pre-tax profits for the period from £923,000 to £1.29m. The results were compiled under FRS 3 accounting principles.

Sales for the six months rose to £30.2m (£28.9m) but at the operating level profits dropped from £1.34m to £621,000.

The exceptional credit compared with a £168,000 debit previously.

Within the specialist printing division margins in the second quarter were hit by cost and competitive factors.

In marketing services, sales fell by 6.2 per cent to £9.5m, mainly reflecting the downturn in trading in the direct marketing agencies in France and the Netherlands. In the UK Aspen Field Marketing experienced lower profits due to reduced spending by clients.

Media and communications benefited from improved volumes to report higher sales of £9.2m (£7.7m). However, Aspen Business Communications was disappointed by a deterioration in trading.

Mr Henry Meakin, chairman, said the results were disappointing following the improvement seen in the second half of 1992, but he was confident that progress would resume in the second half.

Net tangible assets at June 30 were £12.2m (£10.3m) and net borrowings of £2.31m (£4.9m) meant gearing of 19.1 per cent (47.6 per cent).

The interim dividend is held at 2p on earnings per share of 6.6p (4.6p).

British Alcan losses widen to £5.2m as margins suffer

By Kenneth Gooding, Mining Correspondent

REDUNDANCY COSTS and recession in most European markets resulted in increased losses at British Alcan Aluminium in the first half of 1993.

Losses before tax rose from £4.7m to £5.2m and Mr Douglas Ritchie, chairman, said: "The business situation remains depressing, although there are signs of recovery in the UK economy which have yet to translate into improved revenue."

He said trading conditions remained difficult with volume sales and margins under pressure, particularly in European Community markets which "are now experiencing severe recession."

Reflecting problems in its main export markets, sales of semi-fabricated products fell by nearly 6 per cent or 8,000 tonnes in the first half to 131,400 tonnes.

In spite of difficult trading conditions, the company continued to generate cash, repay debt and improve its balance sheet.

In the half-year another £17.2m of debt was paid off and gearing improved from 37 per cent to 35 per cent.

Turnover fell from £384.8m to £381.1m but operating profits rose from £5.8m to £8.7m. However, there was an exceptional charge of £6m to cover re-organisation at the Rogerstone rolling mill, involving 246 job losses, and smaller numbers in Glasgow and Falkirk. In the first half of last year re-organisation costs were only £500,000.

Interest payable fell from £10m to £7.9m. Tax was down from £1.9m to £1.1m, leaving a net loss of £6.3m, compared with £6.6m.

A speedy result on exams

As students bite their nails waiting for their examination results, due to be published this month, they might spare a thought for the examiners, who have to mark the papers and compile the results.

The task could hardly be more difficult than for the International Baccalaureate Organisation (IBO), the charity that offers a pre-university curriculum and examination for 16-19-year-olds in nearly 500 schools in 67 countries. The papers are set in up to 80 different languages, from English and French to Dzongkha, Swahili and Welsh.

The IBO is now turning to the latest technology to ensure that the results are published as quickly as possible. The sooner the publication, the greater the chance of students getting a "second bite of the cherry" if their first choice college rejects them, points out Andrew Bollington, IT project manager at the IBO.

The IBO is conducting a trial with an international managed data network service which should eventually whizz the test results between the administrative centre in Cardiff, the headquarters in Geneva, the offices in New York, Singapore and Buenos Aires and the many schools where the examination is conducted.

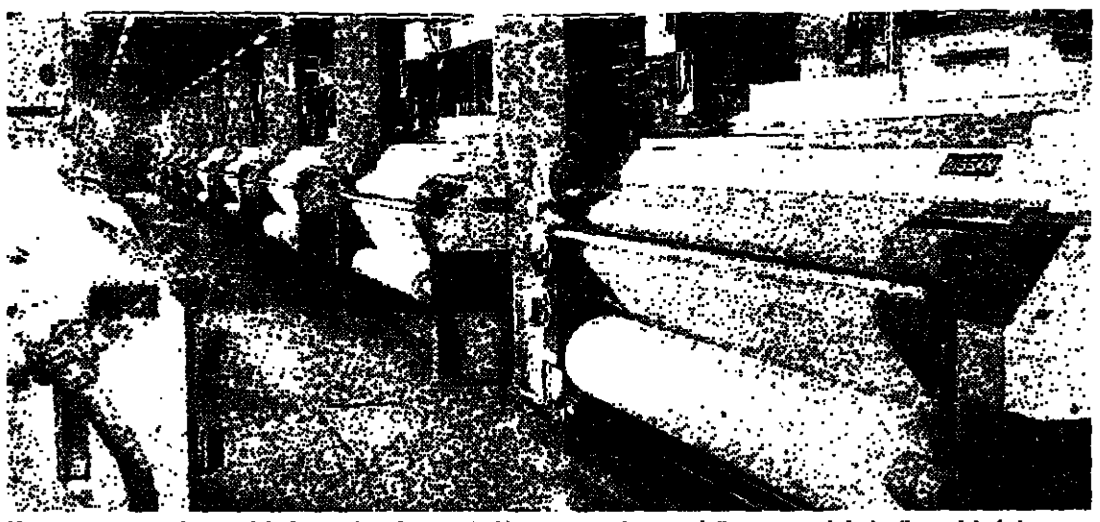
At the moment the post from some schools can take six weeks to arrive in Wales. Communicating with the examiners can also take an inordinate length of time, Bollington points out.

Once the IBO's plans are fully operational, Bollington envisages data being sent backwards and forwards between the participating schools and Cardiff in minutes. The bulk of the schools should be communicating electronically in two years, he believes.

The network will be used for schools to register the marks for individual coursework, which is one aspect of the assessment process. Then it will be used for examiners to send the test results. Cardiff will then send the final results back to the school.

The IBO has chosen to use BT's managed data network, which means that the schools need only pay a local call charge to dial into the network – the IBO's Cardiff office foots the rest of the bill.

Della Bradshaw



More power to your loom: a jet of water transfers most of its energy and can push the yarn much faster than a jet of air

Waterjet weaving is bringing greater speed and efficiency to the textile industry, writes **Daniel Green**

A new breed looms large

A new breed of weaving machine is sweeping the world of synthetic textiles manufacturing. It runs at four times the speed of a traditional power loom, reduces vibration and power consumption and increases safety and reliability.

The waterjet loom, a combination of precision engineering and a great deal of water, is helping textile industries in developed countries keep ahead of low labour cost rivals which still use older technologies.

What waterjet loom designers have done is to abandon the device that dragged weaving from craft to industry at the start of the industrial revolution.

In 1733, as generations of British schoolchildren learn, John Kay invented the flying shuttle. Its principle is simple. To make cloth, a weaver pulls a horizontal yarn (the weft) across vertical yarns (the warp). Kay's invention was to wind the weft around a bobbin, the shuttle, and fire it like a slingshot to and fro across the warp. Many of the improvements in weaving technology since Kay's day have been in finding better ways of powering the bobbin across the warp.

But the flying shuttle is based on the inelegant principle of accelerating and decelerating a mass of up to 400g when all that is really needed is to move the much lighter yarn.

It is also ugly in practice: shuttle looms have to be built like tanks to cope with the stresses of firing a weight a metre or more across the weft and stopping it a fraction of a second later. The noise made by a shuttle loom and the energy that can be released if it breaks down also make it a health hazard.

The idea of a shuttleless loom has been in the minds of engineers for almost a century. In the early days, they experimented with, among other things, commercial vacuum cleaners to try to push the yarn across the warp with a jet of air.

An airjet loom was patented as early as 1914 and modern versions are now widely used, especially for weaving natural fibres.

But air jet looms move the yarn at only one-tenth of the speed of the puff of air that pushes it. This limits the speed of the loom and the width of the cloth that can be made.

Nor are they good at weaving wet or synthetic fibres, which are denser than natural fibres and resist the push of air.

The solution is to use a jet of water instead of air. Today's waterjet looms are much more efficient than their airjet rivals. The yarn picks up most of the energy in the water and moves at about three-quarters of the speed of the jet of water. They can also be used with wet yarn, sometimes important if the yarn has just been chemically treated. Computer control and precision engineering allow the weft to shoot across the warp at more than 10 times a second.

Such unequivocal improvements have, not surprisingly, led to a sales boom for the Japanese companies that developed the technology. Global sales of waterjet looms rose by 135 per cent between 1988 and 1992, overtaking both airjet and conventional shuttle looms, according to the International Textile Manufacturers Federation. Sales of waterjet looms now account for 30 per cent of the world market.

Asia is the biggest market, buying almost 95 per cent of production. This is partly because of relatively heavy capital investment in textiles generally in the region and because consumers in the US prefer natural fibre fabrics, which can be made by airjet looms. Sales in Europe are growing as consumers learn to like the latest synthetic fabrics such as microfibres, which use filaments as fine as silk.

Japanese manufacturer Tsudakoma dominates the market. Brisk sales of waterjet looms last year allowed the company to increase profits at a time when many companies saw profits fall. Other suppliers are the textiles arm of motor manufacturer Nissan and Zbrojovka of the Czech Republic, which also manufactures machine guns.

The technology has its drawbacks. When Toray, Japan's biggest textiles manufacturer, was looking for a site for its just-opened UK plant, it needed huge amounts of water to supply a mill of 265 waterjet looms. It chose Mansfield in Nottinghamshire, partly because it could obtain a contract with the National Rivers Authority to allow it to draw more than 1m tonnes of water a year through four boreholes beneath the £50m factory.

For Toray, the level of automation that can be achieved with the latest computer-controlled waterjet looms makes the effort worthwhile. It intends to run the weaving section of its plant entirely unstaffed and it hopes to be able to switch off the lights in its weaving mill later this year.

The performance of both airjet and waterjet looms is being improved by booster nozzles that guide and impel the yarn as it shoots across the warp.

Airjet looms have been singled out in the drive to cut the time taken to change yarns and patterns. This is because expensive garments with short production runs and more complicated patterns are more likely to be made from natural fibre fabrics.

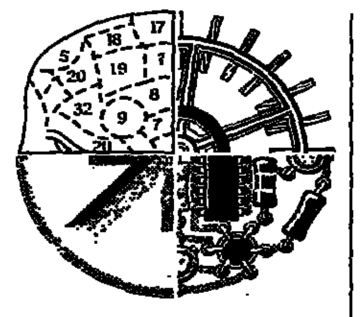
The latest airjet machines from Picanol, a Belgian manufacturer, can be split in two so that prepared modules set up from a different design can be slotted quickly into place. Similar machines are made by Lindauer Dornier of Germany and Sulzer Brothers of Switzerland.

Waterjet looms will not replace all their rivals. While they are best for rapid manufacture of synthetic fibre cloth, airjet looms and other shuttleless designs remain the first choice for natural fibres.

Even shuttle looms that Kay might have recognised have a place in weaving traditional cloth and carpets in short runs for luxury markets. Sales of shuttle looms now account for less than 10 per cent of the market, although they still account for the majority of working looms around the world.

Textile manufacturing technology moves slowly and inventions more than two centuries old are still in widespread use. The waterjet loom shows that technology still has a powerful role to play in what is often regarded as a traditional industry fit only for low labour-cost countries.

Worth Watching · Della Bradshaw



Audi markets its zinc-coated secrets

Audi, the up-market subsidiary of Germany's Volkswagen group, is offering its skills in zinc-coating technology for steel and aluminium parts to outside customers, writes Andrew Fisher.

Audi is a world leader in zinc-coating technology, with 10-year guarantees on its cars' bodywork. The Bavarian-based company has put its machine tool activities into one division which will sell the technology worldwide. Customers will also be able to make use of Audi's know-how in component design, computerised machining and metal-forming equipment. Audi: Germany, 010 49 841 890.

Video highlights picked by PC

Shooting hour upon hour of holiday videos is easy; the time-consuming part is editing the pictures to cut out all the boring bits.

A Toronto-based software publisher, Gold Disk, has come to the rescue with a video editing package which can be used by anyone with a Windows PC.

The would-be Spielberg watches the recording on the television and uses a simulated version of the camcorder controls, which appear as a picture on the PC screen, to control the recording. By pressing the "start" and "finish" buttons the editor isolates the sections that need to be retained, giving each snip a title. These are then arranged in an appropriate sequence. Gold Disk: US, 408 982 0200; UK, 071 4983275.

Car information in front of your eyes

The technology to project the information from a car instrument panel on to the windscreen has long been mooted. The Weizmann Institute of Science, in Rehovot, Israel, has developed a holographic technique which could some day deliver the goods.

This twin hologram system exploits ordinary light – no laser is needed – and the optics are just a few millimetres thick, unlike conventional bulky lenses.

The new system, which is being exploited by Yeda Research and Development, consists of two holograms coated upon glass. One receives light signals of an image and diffracts them at an angle. The second projects this image on to the desired spot. Yeda: Israel, 8 46 35 10.

Cutting out the PC bottleneck

Although the microprocessor chips that power PCs have been getting faster, the actual performance of PCs has been held back by data "bottlenecks", writes Paul Taylor.

The answer is to devise faster ways to exchange data between the microprocessor, memory chips and expansion cards. Kamco, a UK-based direct sales manufacturer, claims to have beaten its rivals with the first PCs based around Intel's new Peripheral Component Interconnect (PCI) standard which has the support of companies such as Apple, Compaq, Digital and IBM.

Kamco's first PCI machine, which will run the next generation of multimedia software such as Microsoft's Windows NT, is priced at £2,995. Kamco: UK, 0895 271919.

Taking the sting out of tea in the garden

A high-tech version of the old "jam jar and sugar" trap promises to bring a wasp-free summer to gardeners and those who like to eat outdoors.

Distributed by Catchensure, of London, and sold through garden centres, the Waspy is a cone-shaped clear plastic container comprising a tray and a lid. By filling the tray with a sweet liquid or jam and raising the lid slightly the wasps follow their noses and climb through the small gap into the cone. But as they try to escape, by flying towards the light, the wasps hit the rigid plastic sides of the trap. Catchensure: UK, 071 628 4200.

ACCOUNTANCY COLUMN

Litigation battle spreads to more than one front in US

Richard Lapper explains why accountants are increasingly concerned about 'illogical' legal burdens

"THERE IS really only one issue affecting accountants worth writing about: the litigation crisis", the US journalist Thomas La Freniere was told during a routine interview with a leading US accountant.

La Freniere, the former editor of *International Accounting Bulletin* and himself a former accountant, took the advice. The result – 18 months on – is The Litigation Nightmare, published this week by Dublin-based Lafferty Publications, and one of the most complete accounts of the mounting legal threat to accountants.

In a 300-page report, La Freniere details the extent of a burden described by Mr Richard Murray, the chairman and chief executive of Minet Global Professional Services, the insurance broker, "as the most illogical faced by any business".

"The threat of litigation has taken on new dimensions," says La Freniere in his introduction to the report. Legal trends in the United States mean that accountants are "held responsible for much more than obvious malpractice. A disturbing trend has arisen which would make them guarantors of good management judgment," says La Freniere.

In the US, where most legal actions have concentrated, the big six accountancy firms have faced a steady rise in legal costs, as creditors and investors in troubled and insolvent companies seek to recover losses.

The costs incurred in fighting and defending legal actions rose by at least 25 per cent to an amount equivalent to 12 per cent of total accounting and auditing revenues in the 1992 financial year. This followed an 18 per cent increase in 1991 to $404m, an amount equivalent to 9 per cent of total revenues.

The figures show that 10 of the 12 settlements involve pay-outs of $20m or more. Four of the cases related to a $400m settlement by Ernst & Young when it was sued by three US government bodies over the the failure of US savings and loans institutions for which it had worked.

Other big settlements included a pay-out of nearly $150m against Coopers & Lybrand to the bondholders and bankruptcy trustees of Miniscribe, a disk drive manufacturer, and a pay-out of $77.5m against KPMG Peat Marwick, Deloitte Touche and 27 others to investors in Wedtech, a defence contractor. Since many settlements are negotiated out of court and given little publicity, the real cost and number of claims is much higher. La Freniere says 1992 will "likely go down as the worst year ever for litigation against accountants".

Worse still, the tide of litigation shows no signs of letting up. Accountants face at least five claims world-wide where investors and creditors or troubled or insolvent companies are seeking to recover more than $1bn, three of them outside the US.

These include a claim for $8bn in damages by the liquidators of Bank of Credit and Commerce International against Price Waterhouse and Ernst & Young and a claim for A$1.1bn against KPMG Peat Marwick by the state of Victoria in Australia.

Claims in the pipeline in the US include one for $158m against Peat Marwick (Ballingary Mines and Flair Resources) – and a whole string of $100m-plus claims stemming from the failures of the Savings and Loans Associations. Internationally, claims are mounting in scope. La Freniere says that accountancy firms in at least 50 countries have experienced one or more claims. Firms in at least 20 further countries may have claims pending.

Outside the US, Australian accountants seem to be most heavily exposed. "With more than A$3bn in known claims there are about A$160,000 worth of claims for each professional employed by the top 16 firms in the country," says La Freniere.

Although the level of liability in continental European countries is low, the trend there is rising faster than in any other part of the world. Last year, for example, French accountancy firms faced about 150 cases, twice as many as in 1991. German accountants' liabilities are currently limited to DM500,000, but as firms prepare financial statements for use abroad a growing proportion of their work will fall outside the scope of this limit.

The report says that if all proposed legislation and regulation in the European Community is adopted, accountants practising in member states will be subjected to the harshest rules anywhere that govern claims and liability. Commenting on the incidence of a claim in South Korea, La Freniere says: "The problems seem to be spreading from the Anglo-influenced countries to places where one would think the likelihood for litigation would be small."

The Litigation Nightmare – a threat to public accounting firms worldwide. Lafferty Publications, IDA Tower, Pearse Street, Dublin 2. £549.

TAXING SEASON AWAITS MANY FOOTBALL CLUBS

FOOTBALL CLUBS could be pushed to the brink of bankruptcy unless they take immediate action to sort out their tax affairs, a report by Touche Ross has warned.

Touche says that the Inland Revenue has embarked upon a comprehensive review of professional and semi-professional football, in the wake of the successful prosecution of Swindon Town FC three years ago, writes Richard Lapper.

After Swindon was found guilty of defrauding the Revenue, clubs were sent warning circulars and two specialist units were set up to help clubs with problems.

"The limbering up is over and the Revenue team is now in action," says Mr Richard Baldwin, partner with Touche Ross and author of the report.

"The Revenue's recent activity, which has received widespread media attention, clearly indicates that clubs who have not had the taxman knocking at the door should get their PAYE systems into order immediately because they could be next on the list," says Mr Baldwin.

"This is a big issue for all clubs and some could face demands for back taxes and fines for tens of thousands of pounds," adds Mr Baldwin. "Some settlements already agreed in semi-professional clubs have been in excess of £50,000 but League and Premier League clubs could face bills for hundreds of thousands of pounds. Few clubs are going to escape a visit from the taxman."

Danger areas for clubs include:

- Cash payments to players and managers from which tax and national insurance have not been deducted.
- Payment of "termination payments" for premature ending of a player's contract which may be regarded by the Revenue as a disguised "signing-on fee".
- Payment of tax and national insurance for employees including match stewards and gate attendants.
- Receipt of expenses and benefits such as complimentary tickets, interest free loans and cars to players, staff and directors.
- Signing-on fees which the player waives with a corresponding payment into a pension scheme by the club.

The report says that clubs must collect and account PAYE and national insurance, as well as complete all relevant paperwork.

"Problems frequently arise in relation to payments made to match day staff who may be designated as 'casuals' by the club but who are viewed as employees by the tax office," warns Mr Baldwin.

"If the PAYE and NIC has not been deducted then clubs could face bills going back over a six-year period," he adds.

The Taxman Cometh ! – The importance of PAYE to football clubs. Touche Ross, Hill House, 1 Little New Street, London EC4A 3TR.

child support agency

LONDON BASED

The Child Support Agency started operating on 5th April 1993 as a Next Steps Agency within the DSS. Its function is to provide a service for the assessment, collection and enforcement of child maintenance. It will eventually offer a service to a potential client population of about two million. Further development within its finance function has led to the creation of the following two posts:

FINANCE DIRECTOR c £35,000

Reporting to the Resources Director, you will be responsible for three sections, Finance, Accounts and Finance Systems. Finance covers such areas as PES, allocations, investment appraisal and costing, while Accounts is responsible for accounting policies, management and annual accrual accounts as well as asset register and cash and overall debt management of clients' accounts and fees. Other duties will include:

* Development of financial reporting to Board and other levels of management.
* Maintenance, review and development of finance systems and procedures.
* Introduction of inter-agency charging.
* Participation in the review of alternative financial regimes for the CSA.
* The development of a professional quality finance function with appropriate staffing.

The successful candidate will probably be CCAB qualified with several years post qualification experience in the private sector and/or of operating commercial accounting in an Executive Agency, Government or a similar body. A knowledge of Government accounting would be an advantage. You will also have experience of implementing finance systems and managing change and have excellent communication and staff management skills.

SYSTEMS MANAGER c £28,000

Reporting to the Finance Director, responsibilities will include:

* Identifying the CSA's business requirements for finance and related systems support and be responsible for changes in the requirement.
* Being the agency's focal point for DSS systems development on the financial and management information system (FAMIS), the departmental internal charging projects and other initiatives.
* Review of the cost-effectiveness and appropriateness of current and proposed systems.
* Managing and participating in projects designed to meet these objectives.
* Liaison with customers and co-ordination with other support functions.
* Initiation and implementation of adequate training programmes.

The successful applicant will be a part qualified/qualified accountant and be familiar with commercial accounting requirements. A knowledge of government accounting is desirable but not essential. You will also have extensive experience in the successful implementation of financial and related systems and formal project management experience together with experience of procurement. As there is a lot of interface with non-finance staff, strong communication skills are essential as is the determination to see projects through.

The Child Support Agency is an Equal Opportunities Employer and is keen to receive applications from all sections of the community, regardless of race, colour, disability, ethnic origin or gender.

Interested applicants should write enclosing a full curriculum vitae, indicating which position they are interested in, to Hugh Everard, Director

Michael Page Public Sector, Page House, 39-41 Parker Street, London WC2B 5LH. Direct applications will be forwarded to Michael Page.

MP

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Successful, award winning private company involved in I.T. services with a turnover of £12 million in 1992, situated in Haywards Heath, Sussex require a qualified and experienced management accountant to head up the finance/accounting functions of the business.

The ideal candidate will need to demonstrate experience of leading a small department and strong communications skills. Reporting to the directors, the management accountant will be expected to contribute to strategic decision making policies and improve management information systems across the group. A degree of I.T. user literacy would be advantageous.

Please apply in confidence to: Jess Jaworski, Managing Director, Intertech Computer Consultants Ltd, British National House, Harlands Road, Haywards Heath, West Sussex RH16 1TD

Opportunities in a Global Business

Finance Manager, Regional Operations

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In strengthening the finance function, which plays an essential role within the group, British Airways seeks an outstanding Finance Manager to join the regional operations management team.

Reporting to the Managing Director (Regions) and functionally to the Financial Controller Europe, this role offers a wide-ranging, commercially-oriented remit. Key tasks will include:

- providing a comprehensive financial/statistical analysis and forecasting capability for line management;
- evaluating capital investment, marketing programmes, distribution channel changes and pricing strategy;
- ensuring that accounting, cash management and internal activities meet both corporate and statutory requirements.

The successful candidate must either be financially qualified, with 3-5 years' post-qualification experience, or possibly an MBA. This experience must include front line operational support in a fast-moving, international environment. Key personal characteristics are strong analytical and presentational ability, proven man-management skills and the capacity to inspire and manage change.

This challenging role will lead to further career progression and will appeal to fast-track, high achievers.

Please send a detailed CV to our advising consultants: GKRS, Search & Selection, Clarebell House, 6 Cork Street, London W1X 1PB. Telephone: 071 287 2820. **Please quote reference no. 211J**, and include details of current remuneration and availability.

GKRS

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Fountain Television is now the largest independent provider of Television Studios in Britain following the opening of its new studio complex at Wembley. We are seeking a qualified accountant for this new role as a key member of the board of the enlarged organisation. The role carries responsibility for all aspects of financial management of this television facilities business including involvement in contract negotiation with production companies. Candidates should have practical experience of commercial management in an operating company, be computer literate and capable of setting up effective systems to provide financial control for all aspects of this exciting business.

Applications to C A Maxwell, Fountain Group Ltd, 128 Wembley Park, Wembley, HA9 8HQ
an Avesco plc company

STRATEGIC ROLES IN FINANCIAL MANAGEMENT

Warwickshire

£ Excellent Packages

ADAMS Pride & Joy

Sears Childrenswear Limited

Adams and Pride & Joy, part of Sears Childrenswear, are the leading names in specialist childrenswear and a major influence in the retail market. With a turnover of £170m, operating in over 300 branches in the UK and Europe the company has experienced considerable growth finally achieving its goal of market leadership in the 0-8 years childrenswear market.

Significant change is now underway within the finance function in order to facilitate a more proactive service orientated operation. Critical to this shift in emphasis is the need to recruit two high calibre individuals who can add substantial value:

Financial Planning & Analysis Manager

With responsibility for a team of nine, the role will involve making tactical and strategic decisions, critically appraising the divisions current and future financial performance, in addition to the production of management information for the Sears Group. Ref TJB671.

Retail Accounting Controller

Reporting to the Finance Director key responsibilities will include the provision of commercial advice to retail operations, ensuring the provision of quality levels of management information through strong technical and systems based skills. Ref TJB672.

The two successful candidates will be qualified accountants, aged to 32, with first class interpersonal skills and a mature commercial outlook gained in a similar environment. In addition, an ability to drive change and make a significant contribution towards increasing market share and profitability is essential.

Both roles offer excellent career progression within the Sears Group and include an excellent salary, up to 25% bonus, fx car and other benefits associated with a large progressive company.

Interested candidates should write, enclosing full Curriculum Vitae and quoting the appropriate reference, to ***Timothy Bates*** *or* ***Carmela Dyson*** *at Harrison Willis, Grosvenor House, Bennetts Hill, Birmingham B2 5RS.*

HARRISON WILLIS

FINANCIAL & LEGAL RECRUITMENT CONSULTANTS

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The business has invested heavily in technology and computer systems, but the continuing growth environment now brings about the need for further change: the requirement is to appoint a Finance Director to join a small top management team which will oversee this change and take the business forward.

The key functions will be to chart the financial strategy for the business in total, to represent the business with customers, suppliers and financial institutions and to evaluate and introduce the right financial analysis, decision taking and control functions (which will include taking overall responsibility for existing accounting, DP and treasury departments).

Candidates should be either MBA or professionally qualified graduates (aged under 45) who have made a positive contribution in the finance function to a flexible and dynamic business with a highly developed culture. Experience of dealing with foreign trade and subsidiaries would be an advantage. First rate communication skills are also a pre-requisite.

A remuneration package of around £70,000 plus usual benefits is available, but could be more for an exceptional candidate.

Please reply initially to Box No B1618 FT, Financial Times, 1 Southwalk Bridge, London SE1 9HL. We will treat your application in strictest confidence and respond quickly to all replies.

Royal National Lifeboat Institution

Accountant

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■ The Royal National Lifeboat Institution is an independent charity whose sole aim is to preserve life from disaster at sea. Its annual income is over £60 million, making it one of the largest charities in the UK.

■ Reporting to the Head of Finance, this is a new position to strengthen further the accounting function and improve its service. Your responsibilities will relate mainly to the fundraising activities of the RNLI and its trading subsidiaries. There are good career prospects.

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■ Please write explaining how your experience matches the above requirements and enclosing a detailed curriculum vitae with salary details and quoting reference IC453/FT to Jeff Cottrell, Ernst & Young Corporate Resources, Rolls House, 7 Rolls Buildings, Fetter Lane, London EC4A 1NH.

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THE PERSON

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For the right person, this is an excellent career opportunity.

Please write with full cv and current salary package to: Roger Wingrove, Head of Human Resources Management, NatWest Markets, 135 Bishopsgate, London EC2M 3UR.

NATWEST MARKETS
Corporate & Investment Banking

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The Lesotho Highlands Development Authority was established by the Government of the Kingdom of Lesotho in 1986 to implement, operate and maintain the components of the project which are located in Lesotho.

Reporting to Legal Services Manager, the Contracts Lawyer will be responsible mainly for the following:

- Negotiating, drafting and reviewing all major civil engineering construction and related supervision contracts.
- Reviewing, analysing, advising on and resolving claims and disputes under the FIDIC contract conditions for works of civil engineering and electro-mechanical construction contracts and undertaking preparatory works towards arbitral proceedings where disputes need to be referred to arbitration.
- Ensuring effective management of design, supervision and construction Contracts using FIDIC conditions and avoidance, management and settlement of claims thereof.
- Providing legal opinion and advice on all matters relating to construction contracts.
- Attending to any such duties as assigned by the Legal Services Manager from time to time and accept responsibility as expected.

QUALIFICATIONS AND EXPERIENCE

The applicant must have a master's degree in Commercial Law with five years relevant experience or a Bachelor's degree in Law with ten years practical experience in Commercial and Construction Law.

Suitable applicants should submit their Curriculum Vitae at least before 3rd September 1993.

To: The Chief Executive
Lesotho Highlands Development Authority
P.O. Box 7332
MASERU 100
TEL. 311280 FAX. 310060

1 June 1993

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The appointee who will be offered a substantial remuneration package will be responsible for all aspects of Debt Trading within the Market, and will need to be financially and politically aware, to identify early, changing trends in each LDC Market. He/she will need to be a good communicator and have the knowledge and ability to train novice brokers, whilst working as part of a growing team.
A team which is well placed to compete in this rapidly growing market place.

Closing date for applications 1st September 1993

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Investment Manager

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Applicants must possess a high degree of literacy and numeracy, have a good degree and at least two years' work experience. They are likely to be in their mid-twenties and currently earning not less than £22,000. The successful candidate will be able to think creatively, analyse objectively and communicate effectively. Candidates with a technical background would be preferable. A working knowledge of accounting and project analysis techniques together with well-developed computer skills including the use of spreadsheets and wordprocessing software would be desirable.

RTZ LIMITED — RTZ GROUP

Please send a curriculum vitae and details of current salary to: Margot Freeman, Assistant Personnel Officer, RTZ Limited, 6 St. James's Square, London SW1Y 4LD or telephone 071 930 2399 for further information.

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•preferably aged in their early to late twenties, with a minimum of two years' experience as an equities sales dealer with either a stockbroker or institution;
•team players, with a successful track record in a sales dealing role;
•preferably tertiary qualified.

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Investment Manager

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The successful candidate will be required to manage one or more UK Smaller Company portfolios and make a significant contribution to the UK research effort, investment strategy and client servicing.

Essential reuirements for this position include a minimum of five years' experience in UK equities (ideally as a Fund Manager, but possibly as a Stockbroker or Analyst), proven stock-picking ability and excellent presentation and communication skills.

The ability to participate as an active team member and display high levels of personal initiative and stamina will be equally important. IIMR membership and business development experience would be a distinct advantage.

In return our Client will offer a comprehensive and competitive remuneration package, excellent personal development and exciting career opportunities within a dynamic and expanding organisation.

For a confidential discussion, please telephone or write with CV to:
Fred Lawson or Peter Brown
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63 George Street, Edinburgh EH2 2JG.
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ASA International

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To apply, please send a C.V. to Mr E. P. Geraghty,
Personnel Manager, Henry Cooke, Lumsden plc,
P.O. Box 369, No. 1 King Street,
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Portfolio Control Manager

City

Baring Asset Management Ltd – a subsidiary of Barings plc – is a leading international investment management group with a portfolio of some £24 billion across equities, fixed interest and property.

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In the first instance, please write with your CV to Peter Phillips, Rada Recruitment Communications Limited, 195 Euston Road, London NW1 2BN. All replies will be acknowledged.

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COMMODITIES AND AGRICULTURE

Coffee futures rise higher as options cover increases

By Richard Mooney

COFFEE FUTURES prices on the London Commodity Exchange surged still higher yesterday in a continuation of what some analysts were coming to regard as a self-perpetuating rally.

The December robustas position touched $1,180 a tonne at one stage, before closing at $1,157 a tonne, up $32 on the day, $119 on the week so far and $338 from the low reached just four months ago.

In the absence of fresh fundamental news coffee analysts pointed to options covering in a thin market as the most likely explanation for the latest gains.

Increased confidence in Latin American producers' ability to make their export retention scheme work – and perhaps to persuade African producing countries to join in this market support effort – has given the market a firmer base in recent weeks. This week's initial jump to 2½-year highs was prompted by reports of a cold front threatening frost damage to crops in the south of Brazil, the world's biggest coffee producer.

Those factors were still providing underlying support, said Mr Lawrence Eagles, analyst at GNI, the London trading house. But there was "one main reason" for the continuing uptrend, and that was options covering, he said.

He explained that increasing numbers of call (buying) options had been put "in the money" by the recent rise and the options' granters were being forced to cover potential losses by buying futures contracts at an accelerating rate.

In view of the low level of trading volume at present these covering purchases were having an exaggerated effect on prices, pushing more options into the money and forcing more covering by the granters, he added.

Mr Eagles noted that there were large open positions for call options at $1,100 and $1,200 a tonne.

He suggested that there was also an element of catching up with the US market in this week's sharp rise.

Coffee prices at New Yorks' Cocoa, Sugar and Coffee Exchange – where Latin American-style arabica coffee is trade, rather than the mainly African robustas traded in London – had been quicker to react to the possibility of frost in Brazil and nearby positions rose by about 5.5 per cent last week, compared with 4.5 per cent for London contracts.

In the first three days of this week, however, the 9.9 per cent rise for the LCE's September position outdistanced the 2 per cent advance in CSCE's corresponding contract.

Sharp climb in India's output is forecast

INDIA'S COFFEE output is set to rise 40 per cent to a record 225,000 tonnes in crop year 1993-94 (October-September), which planters fear could cause a glut, reports Reuter from Bombay.

In its "blossoms estimate" for the new season, the state-run Coffee Board put production at 101,000 tonnes of arabica and 124,000 tonnes of robusta for the year, against this year's 79,300 and 82,000 tonnes respectively.

"The weather has been very good in most coffee-growing areas," a United Planters' Association of Southern India official said. He explained that the coffee crop did well in alternate years. In 1991-92, output was 180,000 tonnes.

India has been exporting coffee freely after the collapse in 1989 of International Coffee Agreement controls.

"There'll be a large surplus in the coming season," said Mr Anil Bhandari, a Coffee Board member and a planter from the southern state of Karnataka, which accounts for the bulk of India's coffee.

In the first three months of the 1993-94 fiscal year (April-March) exports fell to 17,614 tonnes, worth Rs659m (£14m) from 18,678 tonnes in the same period of the previous year.

The government has fixed an annual export target of 120,000 tonnes, in spite of only selling 113,150 tonnes in 1992-93, worth Rs3.79bn.

Mr Bhandari said world coffee prices had begun to look up and were again an incentive for India to step up exports. "In this changed scenario, I think we can easily export the targeted 120,000 tonnes," he said.

But analysts have observed that stagnating domestic consumption at 60,000 tonnes will not help India reduce surpluses.

Spice suppliers try to pep up market

Grenada and Indonesia discuss new targets. Canute James reports

THE WORLD'S two leading nutmeg producers, Grenada and Indonesia, are trying to find common ground on which they can control supply and strengthen the world market for the spice.

Recent efforts to lift prices have included destroying stocks.

The latest move is being pushed by Grenada, which produces about a quarter of world output, and whose economy is more heavily reliant on nutmeg than Indonesia's, which accounts for virtually all the other 75 per cent.

The destruction of several hundred tonnes of stock by the countries followed a progressive price decline since their cartel, created in 1989, collapsed.

"We have been speaking with the Indonesians about the state of the market," says Mr Nicholas Brathwaite, the prime minister of Grenada.

"I do not think that we will get another formal pact, but we are hoping that we will be able to reach an agreement whereby we will be able to do something about the supplies to the market," he says.

Indonesian industry officials confirm that delegations have been visiting Grenada for discussions on how best the producers can co-operate to improve prices. They say, however, that the Indonesian industry will not again be party to a cartel that attempts to set prices.

"We have explained this to our Grenadian counterparts, and they have told us that they are not interested in resurrecting the earlier agreement," says one official. "What we are doing now is discussing how we can co-operate in the international marketing of the product in the interest of both countries."

Neither Grenada nor Indonesia are willing to say specifically how the new arrangement will work, and the extent of any likely cuts in nutmeg supplies.

It appears, however, that if they do reach an agreement, they will aim at supplying the market with 9,500 tonnes a year, 500 tonnes less than current world demand and 2,500 tonnes less than the current combined production of both countries.

The cartel collapsed following extensive deregulation of the Indonesian economy. Before it was established, the world price for nutmeg was about $1,000 a tonne.

When the cartel became operative the Indonesian producers undertook to sell their high quality nutmeg between $6,800 and $7,000 a tonne, while low quality supplies were to be sold between $1,000 and $1,200 a tonne.

The Grenadians had committed themselves to a minimum price of $6,650 a tonne for their best nutmeg, with a minimum price for poorer quality nutmeg was $5,575 a tonne.

Prices have since fallen as low as $550 a tonne and have generally been below $1,000 a tonne.

The price collapse has been particularly painful to Grenada for which nutmeg is the main commodity export. Grenada's earnings from nutmeg exports fell from $18.1m in 1989 to $4.5m last year.

"In 1989 our farmers received EC$12m (US$4.5m) in bonus payments because of the prices which we obtained then," says Mr Brathwaite. "Last year there was no bonus for the farmers because the price has fallen. So we are in a very difficult situation."

It remains to be seen whether the new targets for market supplies will include the 3,500 tonnes that Grenada has agreed to ship to JHB, a Belgian company, over five years, mainly for sale to China.

Any new agreement with Indonesia will "complement" the marketing agreement with JHB, Grenadian officials say.

The contract will also allow an increase in supplies of the Grenadian spice to the US market, in which Indonesia is dominant.

JHB is to brand the product and will take more than the contracted 3,500 tonnes if the Chinese market performs well.

The eastern Caribbean island's dependence on foreign earnings from the spice lies behind its need for higher prices. The Indonesians are more able to tolerate lower world prices because their production costs are lower than Grenada's.

Traditionally the market has been willing to pay more for the Grenadian product because the quality was higher. But in seeking the co-operation of the Indonesians, this is not a factor that Mr Brathwaite considers important.

"The purchasers of nutmeg do not usually note that the Grenadian product is of a higher quality," the prime minister says. "The quality does not determine the price on the world market."

Grenada's earnings from nutmeg exports fell from $18.1m in 1989 to $4.5m last year following the demise of the cartel

Demand for gold increases 1%

By Kenneth Gooding, Mining Correspondent

GOLD DEMAND rose by 1 per cent in the second quarter of this year compared with the same period in 1992 in spite of an 11 per cent rise in the US dollar price from its 1993 low point, according to estimates by the World Gold Council.

The council is a promotional organisation funded by gold producers. Markets monitored for its quarterly demand trends survey account for about 75 per cent of world demand for gold in the form of bars, coins and jewellery.

There was an 18 per cent drop in demand between the first quarter of this year – the gold price fell to a seven-year low in the first quarter – and the second quarter, from 700.1 tonnes to 575.3 tonnes.

Mr Bryan Parker, strategic planning manager for the council, suggested that, as gold demand was seasonal, the better comparison was with last year's second quarter.

The council says that while the dollar gold price rose during the second quarter there were signs of a slowing of demand growth in the price-sensitive Middle East and India markets.

Imports to key areas such as Hong Kong, Taiwan, Singapore and Dubai, used as staging points for gold smuggled into countries where imports are banned, were also significantly below those in the second quarter of 1992.

Higher prices encouraged gold producers to stop selling forward so much metal and to unwind hedging positions. The council estimated that this resulted in about 500,000 troy ounces (15.5 tonnes) of gold being withdrawn from the market.

In the developed markets, purchases of gold by jewellery makers fell by 5 per cent or 7.6 tonnes compared with the second quarter of 1992, to 147 tonnes. Increased demand in the US and France was more than offset by a fall in Japan, the UK, Germany, Italy, Spain and Greece.

There was a 32 per cent rise in sales of gold bullion coins, however, to 12.8 tonnes, mainly in North America and Europe, which the council suggested was an indication of a revival of interest in gold among western investors.

Gold demand in the first half of this year was 12 per cent up at 1,275.4 tonnes compared with the same months of 1992, the council said. There was a 24 per cent rise in the first quarter.

Ecuador opens oil blocks to private sector

By Raymond Colitt in Quito

IN AN effort to attract capital investment and boost production, Ecuador is opening significant sectors of its petroleum industry to private enterprise.

Service contracts for oil exploration and production will be open for bidding during September.

The government is also soliciting bids for a project to increase the capacity of the country's two oil refineries and the Trans Ecuadorean pipeline.

Increasing the capacity of the Refineria de Esmeraldas on the Pacific coast will cost about $120m, while work on the Refineria Amazonas is expected to cost $22.6m.

Work on the projects is expected to be completed within two years and four years respectively.

The pipes leading from the Amazonian rain forest across the Andes to the Pacific ports are to be fitted with higher capacity pumps, enabling them to transport more heavy crude oil, the principal type of crude discovered recently in the region.

Ecuador's new foreign investment regulations give foreign and national investors equal opportunities.

Foreign oil companies are still subject to a flat 44.4 per cent income tax for repatriated profits compared with 25 per cent for Ecuador companies.

A Bill is to be presented to congress shortly in an attempt to equalise this tax structure.

Mr Hans Collin, executive president of Petroecuador, said between 40 and 45 foreign and national companies have shown interest in bidding for the projects in this seventh solicitation round.

He estimated that the country's oil industry required about $5bn in capital investment over the next five years to produce the projected 470m barrels a day by 1995, up from 273,000 b/d last year.

Several area blocks which are now open for private sector exploitation in the Amazon region as well as on the Pacific coast had previously been reserved for Petroecuador.

Mr Henri Bergasse, general manager of the French company Elf Hydrocarbures Equateur, said there were potentially interesting blocks opening up but that there was a risk of encountering heavy crude oil again.

Production and transportation costs for heavy crude are considerably higher than for light crude oil and will thus cut in to profits.

The solicitation will likely include Block 22, an area that has been subject to considerable controversy due to its importance as an ecological "hot spot" and one of the last protected areas for indigenous people of the region.

FT set to launch expanded mines index

THE Financial Times early this autumn will replace its present gold mines index, which is based on the performance of South African companies only, with one enlarged to include Australian and North American gold producers.

Regional indices covering the three geographic areas will also be published.

Companies will be included in the world index if they:

- Have sustainable annual gold production of at least 300,000 troy ounces;
- Draw at least 75 per cent of revenue from the sale of mined gold;
- Have at least 10 per cent of their issued capital available to the investing public.

These conditions mean that there will be no set number of constituents and the eligibility of each company will be reviewed four times a year.

The companies expected to be included initially account for about 30m ounces of annual gold production or 50 per cent of western world output. They include from Australia: Dominion Mining; Gold Mines of Kalgoorlie; Homestake Gold Australia; Newcrest; Placer Pacific; Plutonic Resources; and Poseidon Gold. Canadian companies include: American Barrick Resources; Cambior; Echo Bay Mines; Hemlo Gold Mines; Lac Minerals; Pegasus Gold; Placer Dome; Royal Oak Mines; and TVX Gold.

From South Africa there will be: Beatrix; Buffelsfontein; Driefontein; Elandsrand; Freegold; Harmony; Hartebeestfontein; Kinross; Kloof; Randfontein; Southvaal; Vaal Reefs; Western Areas; Western Deep Levels; and Winkelhaak. US mines in the new index will be Battle Mountain Gold; Homestake Mining; and Newmont Gold.

The method of calculating the index will be a sum of the market capitalisations of the component companies, denominated in US dollars and based at 1,000 on December 31 last year, when the gold price was $333 an ounce. Daily calculations will follow the close of business on the New York and Toronto stock exchanges.

WORLD COMMODITIES PRICES

MARKET REPORT

Base metal prices largely finished in the minus column the London Metal Exchange as earlier advances and stability proved illusory, dealers said. The three months COPPER price failed to penetrate resistance above $1,960 but the subsequent retreat was limited by continuing technical tightness. The price closed at $1,952.50 a tonne, up $3.25. The LEAD market consolidated below an early 2½-month high of $420 a tonne for three months metal, closing at $416.25 a tonne, up $4.50. But traders expected the market to notch up further gains, saying there was an undercurrent of Far Eastern buying interest. At the London Commodity Exchange COCOA prices continued to ease back, with contracts gaining up to £7 a tonne on total turnover of 5,474 lots. Traders were waiting for fresh news, particularly from West Africa, and in the meantime were content to let the market drift. White SUGAR futures had a slow day as prices generally rose with New York. Near October was $1.50 up at $267.50 a tonne, in late trading. Traders were looking to see if New York near Oct would manage to close above 10 cents a lb.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)(Sep)		+ or -
Dubai	$14.44-4.52u	-0.14
Brent Blend (dated)	$16.57-6.59	-0.07
Brent Blend (Sep)	$16.66-6.68	-0.06
W.T.I. (1 pm est)	$17.74-7.76u	-0.06
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$180-182	
Gas Oil	$160-161	
Heavy Fuel Oil	$61-63	+1
Naphtha	$160-162	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$366.25	-13.25
Silver (per troy oz)♣	339.5c	-16.0
Platinum (per troy oz)	$401.75	-17.25
Palladium (per troy oz)	$142.75	-1.50
Copper (US Producer)	91.50c	
Lead (US Producer)	33.50c	
Tin (Kuala Lumpur market)	12.60m	+0.26
Tin (New York)	230.0c	
Zinc (US Prime Western)	62.00c	
Cattle (live weight)†	132.42p	-0.50*
Sheep (live weight)†♣	94.62p	-0.90*
Pigs (live weight)†	72.51p	-0.03*
London daily sugar (raw)	$262.30	-1.70
London daily sugar (white)	$264.00	-4.50
Tate and Lyle export price	£266.50	-0.50
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£166	
Wheat (US Dark Northern)	£147	
Rubber (Sep)♥	60.00p	+0.50
Rubber (Oct)♥	60.50p	+0.50
Rubber (KL RSS No 1 Jul)	209.0m	+1.5
Coconut oil (Philippines)§	$452.5v	-5
Palm Oil (Malaysian)§	$365.0x	
Copra (Philippines)§	$301	
Soyabeans (US)	£207	-2
Cotton "A" index	55.95c	+0.05
Wooltops (64s Super)	351p	-8

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Jul. z-Aug. u-Sep/Oct. v-Oct. x-Aug/Oct †London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♥Sheep prices are now live weight prices. * change from a week ago, provisional prices.

SUGAR – LCE ($ per tonne)			
White	Close	Previous	High/Low
Oct	267.50	266.00	267.50 266.00
Dec	267.50	265.50	267.50
Mar	269.50	266.50	270.00 267.50
May	268.50	271.00	269.50 268.50

White 800 (1002) Paris- White (FFr per tonne): Oct 1594.53

CRUDE OIL – IPE			$/barrel
	Latest	Previous	High/Low
Sep	16.60	16.66	16.73 16.58
Oct	16.72	16.79	16.84 16.72
Nov	16.89	16.96	16.97 16.89
Dec	17.07	17.09	17.10 17.02
Jan	17.18	17.19	17.20 17.16
Feb	17.31	17.36	17.31
Mar	17.34	17.36	17.36 17.34
Apr	17.41	17.45	17.43 17.41
IPE Index	16.69	16.82	

Turnover 20716 (28312)

GAS OIL – IPE			$/tonne
	Close	Previous	High/Low
Aug	159.50	159.25	156.50 158.75
Sep	159.75	158.75	159.75 158.00
Oct	161.50	161.50	162.00 161.25
Nov	163.75	163.75	164.00 163.25
Dec	166.00	166.00	166.00 165.25
Jan	167.25	167.75	167.50 166.50
Feb	165.25	166.00	166.00 165.25
Mar	163.25	164.00	163.50

Turnover 11014 (8168) lots of 100 tonnes

FRUIT AND VEGETABLES

Spanish and Cyprus white seedless grapes are excellent quality at 75p-£1.70 a lb (£1.50-£1.70), depending on country of origin, reports FFVIB. Other good fruit buys include Ouhpan, Cyprus and Jaffa lemons at 15-20p each (15-20p). There are plenty of good quality local grown cauliflowers available this week at 35-55p each (50-60p) depending on size. English broccoli is at 60-80p (60-80p) and English and French courgettes remain excellent at 45-60p. British iceberg lettuce has benefited from the cool weather and firm, crisp produce are available at 35-55p per head (45-60p). Bunches of English watercress are 35-60p (35-60p).

COCOA – LCE			£/tonne
	Close	Previous	High/Low
Sep	746	753	750 743
Dec	759	766	765 757
Mar	777	782	782 775
May	786	792	793 785
Jul	796	801	801 795
Sep	806	809	809 806
Dec	821	822	822 819
Mar	833	835	833 831

Turnover: 5484 (6440) lots of 10 tonnes

ICCO indicator prices (SDRs per tonne). Daily price for Aug 4 761.40 (770.24) 10 day average for Aug 5 758.48 (761.12)

COFFEE – LCE			$/tonne
	Close	Previous	High/Low
Sep	1160	1125	1190 1107
Nov	1157	1125	1180 1103
Jan	1142	1112	1165 1091
Mar	1135	1111	1150 1089
May	1128	1103	1096
Jul	1135	1099	1096

Turnover: 9656 (6675) lots of 5 tonnes

ICO indicator prices (US cents per pound) for Aug 4 Comp. daily 67.40 (67.00) 15 day average 62.72 (62.29)

POTATOES – LCE			£/tonne
	Close	Previous	High/Low
Apr	82.9	85.1	83.5 81.5

Turnover 60 (63) lots of 20 tonnes.

SOYABEAL – LCE			£/tonne
	Close	Previous	High/Low
Aug	172.30		

Turnover 0 (30) lots of 20 tonnes.

FREIGHT – LCE			$10/index point
	Close	Previous	High/Low
Aug	1345	1310	1345 1320
Sep	1361	1355	1365 1360
Oct	1415	1400	1415 1410
Jan	1430	1408	1430 1420
Nov	1430	1428	1440
Jul	1275	1270	1260
BFI	1331	1330	

Turnover 134 (58)

GRAINS – LCE			£/tonne
Wheat	Close	Previous	High/Low
Sep	104.45	103.80	104.50 104.25
Nov	105.70	105.15	105.80 104.70
Jan	107.60	107.05	107.65 106.20
Mar	109.65	109.05	109.45 108.60
May	111.65	111.15	111.65 111.25
Barley	Close	Previous	High/Low
Sep	99.30	98.50	99.30 98.20
Nov	101.60	100.80	101.60 101.30
Jan	103.55		103.50 103.25
Mar	106.40		106.40 105.65

Turnover: Wheat 662 (477), Barley 243 (139). Turnover lots of 100 Tonnes.

PIGS – LCE			(Cash Settlement) p/kg
	Close	Previous	High/Low
Aug	100.9	99.3	100.0 99.5

Turnover 2 (1) lots of 3,250 kg

LONDON METAL EXCHANGE				(Prices supplied by Amalgamated Metal Trading)		
	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 37,244 lots
Cash	1205.5-6.5	1213-4	1208.5	1208-8.5		
3 months	1228-8.5	1236-7	1231/1226	1229.5-30	1226-6.5	237,774 lots
Copper, Grade A ($ per tonne)						Total daily turnover 46,294 lots
Cash	1958-9	1954-5	1958	1957-8		
3 months	1952-3	1949-9.5	1955/1948	1951-2	1950-1	218,683 lots
Lead ($ per tonne)						Total daily turnover 8,247 lots
Cash	404-5	398.5-9.5		402-3		
3 months	416-6.5	411.5-2	418/411	414-4.5	416-8	24,523 lots
Nickel ($ per tonne)						Total daily turnover 3,429 lots
Cash	4920-30	4915-25	4913/4912	4912-3		
3 months	4975-80	4970-80	5005/4985	4968-9	4970-80	45,573 lots
Tin ($ per tonne)						Total daily turnover 1,819 lots
Cash	4905-15	4935-45		4905-10		
3 months	4955-65	4985-90	5020/4940	4950-5	4945-50	10,745 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 12,418 lots
Cash	923-4	926-7	924	923.5-4		
3 months	938-9	941.5-2	944/935.5	938-8.5	935-6	73,786 lots

LME Closing £/$ rate: SPOT: 1.4920 3 months: 1.4826 6 months: 1.4745 9 months: 1.4699

Copper and lead prices are now expressed in dollars per tonne

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	366.00-366.50	
Opening	397.50-397.90	
Morning fix	396.45	264.300
Afternoon fix	387.75	259.365
Day's high	397.50-398.00	
Day's low	361.00-362.00	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	2.62	6 months	2.65
2 months	2.61	12 months	2.70
3 months	2.62		

Silver fix	p/troy oz	US cts equiv
Spot	344.65	517.00
3 months	349.60	520.85
6 months	354.00	525.20
12 months	362.90	534.80

GOLD COINS

	$ price	£ equivalent
Krugerrand	397.50-400.50	264.00-266.00
Maple leaf	398.90-401.85	-
New Sovereign	94.00-97.00	62.00-64.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Sep	Dec	Sep	Dec
1175	48	80	6	17
1200	30	64	13	25
1225	17	49	25	35
Copper (Grade A)	Calls		Puts	
1900	86	104	15	62
1950	53	79	32	88
2000	30	58	58	114
Coffee	Sep	Nov	Sep	Nov
1150	59	76	19	68
1200	32	55	42	98
1250	15	40	75	133
Cocoa	Sep	Dec	Sep	Dec
725	28	57	7	23
750	14	42	19	33
775	6	32	35	48
Brent Crude	Sep	Oct	Sep	Oct
1700	8	38	32	58
1750	2	19	-	-
1800	-	10	-	-

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Aug	377.2	399.2	397.8	372.0
Sep	377.9	400.1	389.0	371.0
Oct	378.8	401.2	398.6	373.0
Dec	380.7	403.3	400.8	375.0
Feb	382.7	405.4	402.5	378.5
Apr	384.5	407.4	404.5	377.0
Jun	386.5	409.5	406.0	381.0
Aug	388.4	411.5	400.0	384.5
Oct	390.4	413.6	0	0

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Aug	392.6	0	390.0	386.0
Oct	394.6	419.6	417.5	394.6
Jan	395.3	420.3	413.0	395.3
Apr	396.3	421.3	409.0	404.0
Jul	397.1	422.1	0	0

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Aug	477.3	525.2	500.0	500.0
Sep	478.3	526.5	521.0	473.5
Oct	479.8	528.0	0	477.5
Dec	483.2	532.0	528.5	478.0
Jan	483.8	532.6	0	0
Mar	488.6	537.6	526.5	483.0
May	492.6	541.8	525.0	488.0
Jul	496.1	545.5	528.0	494.0
Sep	500.0	549.6	527.0	504.0
Dec	505.8	555.6	548.0	497.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Aug	86.10	86.80	86.75	86.10
Sep	86.50	87.20	87.40	86.40
Oct	86.55	87.20	86.50	86.50
Nov	86.60	87.25	0	0
Dec	86.70	87.30	87.50	86.70
Jan	86.85	87.40	0	0
Feb	86.95	87.55	0	0
Mar	87.10	87.70	0	0
Apr	87.15	87.75	0	0
May	87.25	87.85	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	Previous	High/Low	
Sep	17.86	17.80	17.92	17.66
Oct	18.00	18.11	18.14	18.00
Nov	18.20	18.33	18.38	18.24
Dec	18.43	18.48	18.53	18.42
Jan	18.54	18.62	18.61	18.54
Feb	18.71	18.72	18.71	18.66
Mar	18.74	18.80	18.80	18.74
Apr	18.81	18.87	18.88	18.81
May	18.86	18.94	18.90	18.87
Jun	18.95	19.00	18.96	18.94

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	Previous	High/Low	
Sep	50.50	50.88	50.75	50.50
Oct	51.70	51.85	51.85	51.60
Nov	52.90	52.96	52.95	52.80
Dec	53.85	54.08	54.05	53.85
Jan	54.70	54.75	54.85	54.65
Feb	55.15	55.05	55.15	55.05
Mar	54.40	54.25	54.40	54.30
Apr	53.40	53.25	53.50	53.50
May	52.40	52.40	0	0
Jun	52.00	51.95	0	0

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Sep	931	944	942	926
Dec	975	985	983	972
Mar	1010	1017	1015	1006
May	1028	1035	1032	1025
Jul	1046	1055	0	0
Sep	1068	1075	1075	1070
Dec	1091	1098	1095	1085
Mar	1112	1119	0	0
May	1130	1137	0	0

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Sep	79.80	78.10	79.90	77.30
Dec	81.45	80.85	82.50	80.30
Mar	83.55	82.95	84.80	82.60
May	84.50	84.00	85.50	84.00
Jul	85.75	85.70	0	0
Sep	86.86	87.00	0	0
Dec	91.50	91.00	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Oct	10.01	10.06	10.17	9.90
Mar	10.05	10.05	10.17	9.98
May	10.10	10.04	10.19	10.00
Jul	10.10	9.95	10.21	10.02
Oct	10.10	9.95	10.17	10.01

COTTON 50,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Oct	56.30	57.26	57.45	56.25
Dec	57.47	58.55	58.64	57.45
Mar	58.30	59.90	59.90	58.86
May	59.46	60.63	60.00	59.45
Jul	60.00	61.06	61.00	60.50
Oct	60.02	59.80	0	0
Dec	60.17	60.16	0	0

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Sep	117.75	114.30	117.75	114.00
Nov	121.00	117.10	121.00	117.25
Jan	123.00	120.50	122.50	120.25
Mar	124.75	121.50	124.25	121.50
May	125.20	122.50	125.20	123.00
Jul	125.75	123.05	0	0
Sep	123.75	121.05	0	0
Nov	123.75	121.05	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)			
Aug 5	Aug 4	mnth ago	yr ago
1657.5	1651.4	1702.1	1548.8

DOW JONES (Base: Dec. 31 1974 = 100)				
	Aug 4	Aug 3	mnth ago	yr ago
Spot	126.13	126.80	-	116.48
Futures	132.18	132.22	-	117.68

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Aug	681/0	697/0	701/4	680/0
Sep	679/0	695/4	700/0	678/0
Nov	678/0	696/2	699/2	677/0
Jan	680/6	698/4	702/0	680/0
Mar	683/0	700/0	703/0	683/0
May	684/6	701/2	702/4	683/0
Jul	684/6	700/4	702/4	684/0

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Aug	23.60	23.94	24.13	23.50
Sep	23.69	24.04	24.27	23.60
Oct	23.85	24.16	24.40	23.73
Dec	24.08	24.40	24.65	23.96
Jan	24.14	24.49	24.70	24.02
Mar	24.24	24.53	24.75	24.12
May	24.28	24.53	24.50	24.15
Jul	24.23	24.55	24.75	24.20

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Aug	222.1	228.7	227.3	221.2
Sep	218.4	224.4	224.7	217.7
Oct	216.4	222.3	222.5	215.5
Dec	215.3	221.4	221.6	215.0
Jan	214.5	220.0	220.0	213.8
Mar	212.8	218.5	218.5	212.8
May	212.0	216.0	216.0	210.5
Jul	210.0	213.3	215.0	210.0

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Sep	239/2	241/0	241/4	238/4
Dec	244/0	246/2	246/2	243/2
Mar	251/4	253/2	253/0	250/6
May	256/2	257/6	257/6	255/6
Jul	258/0	259/6	260/0	257/4

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Sep	306/4	310/4	312/0	306/0
Dec	313/6	317/6	318/4	313/4
Mar	316/2	320/0	320/4	316/0
May	311/0	313/4	314/0	311/0
Jul	301/2	301/6	303/4	301/2

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Aug	75.825	75.775	75.900	75.625
Oct	75.250	75.075	75.350	75.025
Dec	75.425	75.400	75.600	75.350
Feb	75.850	75.800	75.950	75.725
Apr	76.750	76.600	76.950	76.725
Jun	73.525	73.800	73.800	73.525

LIVE HOGS 40,000 lb; cents/lbs				
	Close	Previous	High/Low	
Aug	49.125	48.575	49.850	48.650
Oct	46.300	46.350	46.350	45.925
Dec	46.425	46.650	46.650	46.100
Feb	46.600	46.575	46.800	46.500
Apr	44.700	45.100	44.800	44.500
Jun	49.400	50.150	49.600	49.000
Jul	48.800	49.050	48.800	48.800

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Aug	43.925	45.000	45.050	43.800
Feb	51.000	52.600	52.400	50.800
Mar	50.450	52.250	52.250	50.400
May	51.550	53.250	51.950	51.500
Jul	52.300	53.300	0	52.200

LONDON STOCK EXCHANGE

Peak for the FT-SE Mid 250 Index

By Terry Byland,
UK Stock Market Editor

SECOND line issues continued to lead the UK stock market ahead yesterday, the FT-SE Mid 250 Index hitting a new high, although the blue chip leaders brushed off early losses to renew the advance of the past fortnight. Much of the day's action in equities was led from the stock index futures sector. The reluctant acceptance that cuts in interest rates in continental Europe and the UK may well be postponed was balanced by renewed firmness in London's government bond market.

Initial weakness, largely prompted by falls in stock index futures, took the FT-SE 100 Index down by more than 15 points. But 2,925.7 proved to be the day's low, and a gradual recovery then ensued which took the index to a closing 2,943.4, a net 2.1 up at the highest reading of the session.

Traders professed themselves more than happy with the resilience shown by the blue chips but the strongest performance came from the second-line stocks. The FT-SE Mid 250, which has now risen by more than 5 per cent in a straight line for over a fortnight, closed last night at a new peak of 3,362.3, up 12.9 on the session. Some fund managers have, however, expressed dissatisfaction with the size of the "spreads" – the gap between buying and selling prices quoted by marketmakers – on many second-line stocks. Wide spreads can make share trading very expensive.

Turnover in non-Footsie stocks fell yesterday to provide only about 58 per cent of the day's Seaq total of 616.4m shares. On Wednesday, 735.9m shares were traded through the Seaq network, worth £1.56bn in retail business. Retail, or customer, business, the life-blood of the equity market, has risen sharply over the past five sessions.

With currency markets now calmer and the excitement over ERM currencies more broadly absorbed into the UK financial markets, institutional investors are content to reshuffle portfolios rather than to chase share prices. Stock shortage has begun to show itself in many blue chip stocks and the unwillingness of fund managers to buy at any price has reasserted itself as a factor in equities.

This was reinforced yesterday in the form of a severe squeeze on shares of Reuters Holdings, the global financial reporting group, where the board's buy-back plan has strengthened institutions' unwillingness to part with shares.

Stock index traders have found that stock in the Footsie blue chips is by no means readily available when opportunities for arbitrage between stock index futures and cash present themselves.

Profits were again taken in the consumer and retail sectors, which are most closely allied to interest rate hopes. But losses were small and sector analysts remained confident that lower rates are on the way.

Banking and financial shares moved nervously around overnight levels as the profits reporting season rolled on. Among the best favoured was HSBC, still benefiting from this week's trading report, which cast a favourable light on recovery at Midland, the UK banking subsidiary.

Results from Royal Dutch and from British Petroleum found a cautious reception in London and analysts continued to focus on the uncertain outlook for crude prices.

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

Account Dealing Dates

*First Dealings:	Jul 19	Aug 2	Aug 16
Option Declarations:	Jul 29	Aug 12	Sep 2
Last Dealings:	Jul 30	Aug 13	Sep 3
Account Day:	Aug 9	Aug 23	Sep 13

*New time dealings may take place from two business days earlier.

Reuters squeezed higher

NEWS AND information group Reuters Holdings rose sharply yesterday on enthusiastic US buying, strong recommendation from UK sources and an acute shortage of stock.

The shares, which are subject to a buy-back offer from the company, jumped 55 to 1515p. Just before the close of trading in London the appetite for stock was so great that trading screens showed a backwardation, a technical situation whereby the bid and offer quotes are reversed. One hour after the London close, 1.6m shares had been traded in New York, where the equivalent price reached 1530p.

Dealers said that Goldman Sachs, the US investment bank, was recommending Reuters strongly. Also, US brokerage house Merrill Lynch published a buy recommendation, highlighting improved prospects for foreign exchange dealing following widening of the European exchange rate mechanism bands. Some 60 per cent of Reuters' business is linked to foreign exchange dealing.

In London, Henderson Crosthwaite, the agency broker, also published a buy note. Analyst Mr Brian Newman focused on the buy-back scheme, which technically offers the chance to receive 1400p a share, but around 1720p for tax-exempt gross income funds. He estimates that 35 per cent of the equity is held by these funds, who are refusing to let go of their highly valued shares before the tender on August 25. "An acute stock shortage has developed in London," said Mr Newman.

There was also talk of a stock lending crisis. Stock lending is a device whereby marketmakers can borrow shares from institutions to balance their books.

Oil majors mixed

Shell Transport slipped as the market concentrated on the headline profits from the Royal Dutch arm and refused to discount the effect of exceptional charges.

The second quarter for Royal Dutch saw net income up at £619m, but once the exceptional charge of £183m was removed, the underlying figure was above £800m and at the top end of expectations. Nevertheless, the market was unyielding and sold the UK shares down 9½ to 633p.

Mr Nick Antill, oil analyst with Hoare Govett, said the shares were overvalued but the results should not have provided an excuse to sell. Ms Irene Himona of SGST said that on her forecasts the stock was offering a 4.8 per cent yield and presented a buy opportunity.

British Petroleum, on the other hand, firmed 2½ to 308p after announcing operating profits of £581m on a replacement cost basis after bouncing back from the heavy losses of last summer.

Logica bid denied

Strong rumours that Cray Electronics was about to launch a hostile bid for Logica brought a swift denial from Cray's chairman, who described the talk as "rubbish". Electronics specialists said they believed the two groups may have been involved in preliminary merger discussions earlier this year which were subsequently broken off – prompting speculation that Cray may return as a predator.

Cray recently reported a jump in profits from £2.35m to £29m. Logica was also in the news after two of its directors sold a total of 200,000 shares in the company last weekend. Cray shares slipped 3½ to 149½p. Logica rose 5 to 246p.

Conglomerate Hanson was strong as heavy traded options buying sparked renewed rumours that the board might be preparing asset disposals. Seasoned Hanson analysts downplayed the talk. The shares gained 4 to 242p with 8.9m traded, and a further 4m equivalent in the options market.

Shares in BAT Industries, the tobacco and insurance conglomerate, fell 8 to 441p after rival tobacco group Philip Morris backed off from a planned price increase on its discount brand cigarettes. Dealers said an overnight trade of 2m shares at below 440p a share also contributed to the fall.

Merchant banks performed well after after strong results from Kleinwort Benson which reported first half profits nearly doubled at £42.2m. Kleinwort lifted 25 to 485p while S.G. Warburg moved ahead 10 to 774p and Schroders 43 to 1078p.

Better than expected interim results from Reed Elsevier, pushed Reed International up 15 to 679p at the day's best. But the share price tumbled sharply to close a net 4 off at 660p on market worries over the group's current trading conditions and disappointment of a lack of advance purchases of Official Airline Guides.

Hoare Govett said the market overreacted to the group's caution on trading conditions and believed sentiment toward the group would improve when its main markets in US and UK picked up by the end of the year.

News International appreciated 6 to 244p on its newly-acquired stake in StarTV.

Printing group Hunterprint, which yesterday confirmed its contract with Associated Newspapers to print 56 per cent of a new weekly supplement for the Mail on Sunday, the UK weekly newspaper, from October, saw its shares climb a further 4 to 49.

The two-way pull in the leisure sector showed no signs of abating as investors tussled between the leading hoteliers, Forte and Ladbroke. Turnover was down on the recent high levels although the 2.2m and 3.3m respectively were still above average. Yesterday, dealers said UBS was recommending Forte and Warburg backing Ladbroke. Shares in the former gained a penny to 217p, while the latter rose 2 to 200p.

Among drinks stocks, Invergordon remained the centre of attention as the vague bid talk continued. With results due shortly, market talk is focusing on the 41.2 per cent stake still held by its former suitor, Whyte and Mackay, and whether it will rebid. The shares gained a further 6 to 285p.

Price war worries overhung the food retailers in the wake of the launch this week of Tesco's latest promotion. Credit Lyonnais Laing took the opportunity to issue a "buy" note on the supermarket group, arguing that the launch of the new 'Value' range is another example of Tesco management attempting to improve its competitiveness. Mr Neil Currie at Laing's said: "Tesco is re-focusing on the mass-market proportion of its customer base. We believe there is little downside risk to the shares but plenty of potential upside." The shares nudged a half-penny forward to 209p.

Food manufacturing stocks made further gains as worries over brand values faded and investors looked to buy following the sector's recent underperformance. Among those catching up, Associated British Food gained 3 to 486p, Cadbury-Schweppes 2 to 476p and Unigate 10 to 382p. Among second liners, Dalepak added 9 to 188p, Dalgety 3 to 164p and Associated Fisheries 5 to 129p.

Stores were in demand with Boots responding again to Wednesday's "buy" note from Warburg, the shares adding 4 to 478p. A squeeze in Dixons sent the shares 4 ahead to 227p. Next was buoyed by further talk of a link with GUS and other gossip that sales were up around 13 per cent. The shares put on 4 to 197½p – their level of nearly four years ago.

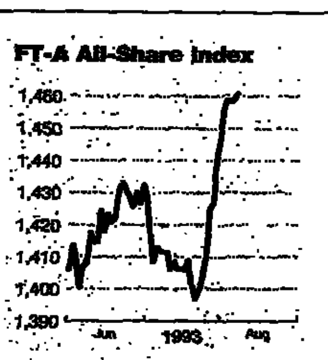
Motor components group GKN survived a number of negative broker notes yesterday and the shares gained a penny to 490p. NatWest Securities and Nikko both pointed out that the group's trading was threatened by its geographical spread which leaves it vulnerable to the economic downturn in Europe.

Good traffic figures from British Airways, published on Wednesday, helped the shares climb 2 to 341p. The shares had fallen on worries over the decline in the load factor, but yesterday Panmure Gordon and NatWest were both pointing to the growth in the premium traffic.

MARKET REPORTERS:
Peter John,
Christopher Price,
Zhang Tingting.

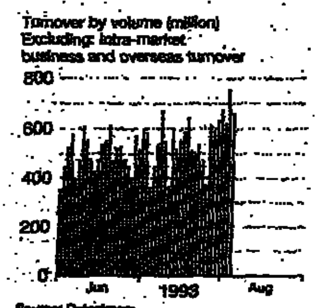
■ Other statistics, Page 16

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: intra-market business and overseas turnover



Source: Datastream

NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (334). [illegible] ... Waddington (J), PROP (16) Allied London, Asda, Do 5½pc Pf., Bartows, Bilston Est., Eng. & Overseas, Evans of Leeds, Gt. Portland 9½pc Cv '02, Land Secs., Lon. Merchant Secs. 7½pc Cv. '00-05, Shaftesbury, Town Centre, STORES (7) Argos, Carpetright, Fine Art, Next, Oriflame, Rosebys, Tie Rack, TELE NETWORKS (2) Securicor N/V, Security Servs., TEXTS (7) Alexandra Workwear, Foupal Trading, Honeysuckle, Ingham, Jacques Vert, Rexmore, Worthington, TRANSPORT (2) All Nippon Airways, GATX, WATER (4) Chester A, Do B, Mid Kent, South Staffs., MINES (5).

NEW LOWS (18).

BRITISH FUNDS (2) Exch. 13¼pc '94, Treas. 14½pc '94, AMERICANS (1) Data General, BANKS (1) Espirito Santo, BREWERS (1) Burn Stewart, BUSINESS SERVS (2) Barbour Index, Penna, CHEMS (1) Plysu, ELECTRONICS (1) Domino Prtng., FOOD MANUF (2) Bols Wessanen, Sims, HEALTH & HSEHOLD (2) Drew, Hosmocell, MEDIA (2) Chiltern Radio, Hodder Headline, MISC (2) Aspen Comms., Sthn. Business, STORES (1) Liberty N/V.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2943.4 +2.1	3362.3 +12.9	1461.06 +2.22

	Aug 5	Day's change %	Aug 4	Aug 3	Aug 2	Year ago	Dividend yield %	Earnings yield %	P/E Ratio	Xd adj ytd	Total Return
FT-SE 100	2943.4	+0.1	2941.3	2945.0	2941.7	2377.6	3.90	5.78	21.50	57.86	1060.85
FT-SE Mid 250	3362.3	+0.4	3349.4	3338.4	3335.3	2773.6	3.00	5.60	21.38	62.68	1204.58
FT-SE Mid 250 ex Inv Trusts	3378.6	+0.4	3363.2	3351.7	3347.4	2283.4	3.70	6.20	20.18	64.15	1205.28
FT-SE-A 350	1476.2	+0.1	1474.1	1474.4	1472.8	1148.2	3.83	5.78	21.48	28.67	1090.62
FT-SE SmallCap	1672.16	+0.3	1667.58	1663.48	1659.70		3.36	4.13	33.66	26.72	1252.96
FT-SE SmallCap ex Inv Trusts	1662.05	+0.3	1657.85	1653.69	1650.14		3.57	4.58	31.34	27.94	1246.42
FT-A ALL-SHARE	1461.06	+0.2	1458.84	1458.93	1457.25	1131.71	3.80	5.68	21.96	28.08	1098.78

Sector	Aug 5	Day's change %	Aug 4	Aug 3	Aug 2	Year ago	Dividend yield %	Earnings yield %	P/E Ratio	Xd adj ytd	Total Return
1 CAPITAL GOODS(214)	[illegible]										
2 Building Materials(28)	[illegible]										
3 Contracting, Construction(29)	[illegible]										
4 Electricals(15)	[illegible]										
5 Electronics(34)	[illegible]										
6 Engineering-Aerospace(7)	[illegible]										
7 Engineering-General(48)	[illegible]										
8 Metals & Metal Forming(10)	[illegible]										
9 Motors(20)	[illegible]										
10 Other Industrials(13)	[illegible]										
21 CONSUMER GROUP(233)	[illegible]										
22 Brewers and Distillers(29)	[illegible]										
25 Food Manufacturing(22)	[illegible]										
26 Food Retailing(17)	[illegible]										
27 Health & Household(30)	[illegible]										
29 Hotels and Leisure(19)	[illegible]										
30 Media(30)	[illegible]										
31 Packaging and Paper(24)	[illegible]										
34 Stores(38)	[illegible]										
35 Textiles(20)	[illegible]										
40 OTHER GROUPS(141)	[illegible]										
41 Business Services(27)	[illegible]										
42 Chemicals(23)	[illegible]										
43 Conglomerates(11)	[illegible]										
44 Transport(15)	[illegible]										
45 Electricity(16)	[illegible]										
46 Telephone Networks(4)	[illegible]										
47 Water(13)	[illegible]										
48 Miscellaneous(32)	[illegible]										
49 INDUSTRIAL GROUP(588)	[illegible]										
51 Oil & Gas(18)	[illegible]										
59 "500" SHARE INDEX(606)	[illegible]										
61 FINANCIAL GROUP(90)	[illegible]										
62 Banks(9)	[illegible]										
65 Insurance (Life)(6)	[illegible]										
66 Insurance (Composite)(7)	[illegible]										
67 Insurance Brokers(10)	[illegible]										
68 Merchant Banks(6)	[illegible]										
69 Property(29)	[illegible]										
70 Other Financial(23)	[illegible]										
71 Investment Trusts(110)	[illegible]										
99 FT-A ALL-SHARE(806)	1461.06	+0.2	1458.84	1458.93	1457.25	1131.71	3.80	5.68	21.96	28.08	1098.78

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	2932.2	2932.0	2933.8	2940.5	2942.6	2940.5	2940.0	2940.6	2943.6	2943.4	2925.7
FT-SE Mid 250	3351.1	3350.9	3352.7	3355.4	3358.4	3360.1	3360.4	3361.1	3361.5	3362.3	3349.6
FT-SE-A 350	1470.7	1470.5	1471.5	1474.4	1475.6	1474.9	1474.7	1475.0	1475.1	1476.2	1468.1

Time of FT-SE 100 High: 4.30pm Low: 9.42am

FT-SE Actuaries 350 Industry Baskets

Hourly	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous close	change
Constrctn	1907.2	1907.2	1911.0	1907.8	1908.4	1908.4	1907.9	1907.9	1903.5	1903.5	1901.5	+2.0
Health & H	981.7	983.0	983.1	985.6	987.5	987.9	988.2	984.6	985.3	986.0	988.2	-2.2
Water	1388.1	1388.1	1386.8	1385.8	1381.5	1381.1	1390.7	1391.6	1392.0	1389.0	1386.0	+3.0
Banks	1844.0	1840.4	1838.9	1843.1	1839.3	1834.6	1834.5	1836.4	1837.6	1839.0	1835.1	+3.9

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper based products relating to these indices, is available from FINSTAT at the same address. The increase in the size of the FT-Actuaries All-Share Index from January 4 1993 means that the FT 500 now contains more stocks. It has been renamed the FT "500". † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative. The FT-SE 100, the FT-SE Mid 250 and the FT-SE Actuaries 350 Indices are compiled by the London Stock Exchange and the FT-Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1993. © The Financial Times Limited 1993. All rights reserved. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. The FT-SE Actuaries Share Indices are audited by The WM Company.

FINANCIAL TIMES EQUITY INDICES

	Aug 5	Aug 4	Aug 3	Aug 2	July 30	Year ago	*High	*Low
Ordinary share	2328.4	2330.3	2330.0	2329.0	2317.6	1774.2	2336.4	2124.7
Ord. div. yield	3.94	3.95	3.95	3.97	3.98	5.19	4.52	3.94
Earning yld % full	4.69	4.71	4.71	4.73	4.74	7.41	5.33	4.69
P/E ratio net	27.20	27.18	27.18	27.05	27.00	17.03	27.30	19.40
P/E ratio nil	25.22	25.11	25.09	24.96	24.94	15.86	25.22	18.14
Gold Mines	218.5	231.1	234.2	247.3	248.2	98.8	248.2	60.0

*for 1993. Ordinary share index since compilation: high 2336.4 5/8/93 - low 49.4 26/6/40
Gold Mines index since compilation high: 734.7 15/2/83- low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2323.9	2324.9	2323.8	2332.4	2333.9	2333.8	2333.1	2333.2	2332.9	2336.4	2318.9

Volume	Aug 5	Aug 4	Aug 3	Aug 2	July 30	Year ago
SEAQ Bargains	28,129	31,627	34,220	37,700	41,728	16,624
Equity Turnover(£m)†	-	1558.8	1711.1	1374.5	1725.0	1041.0
Equity Bargains†	-	37,061	38,583	42,899	45,895	19,392
Shares traded (mil)†	-	853.4	766.3	825.0	677.8	447.5

† Excluding intra-market business and overseas turnover.

LONDON SHARE SERVICE

BRITISH FUNDS

Notes	Price £	+ or -	1993 high	1993 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years) …	[illegible]					
Exch 12½pc 1994	107¼xd	-1/16	110	107	11.67	
Treas 9pc 1994‡‡	104	—	105	103	8.62	
12pc 1995	109	—	111	108	11.01	
Exch 3pc Gas 90-95	96	—	96	94	3.10	
10¼pc 1995	108	—	109	107	9.45	
Treas 12¾pc 1995‡‡	114	—	116	113	11.13	
14pc 1996	118	—	120	117	11.83	
15¼pc 1996‡‡	122	+	125	121	12.42	
Exch 13¼pc 1996‡‡	118	—	120	118	11.22	
Conversion 10pc 1996	111	+	111	108	9.00	
Treas 13¼pc 1997‡‡	121	+	122	118	10.94	
Exch 10½pc 1997	113xd	+	113	110	9.29	
Treas 8¾pc 1997‡‡	108xd	+	108	105½	8.07	
Exch 15pc 1997	130¼	+	132	127	11.52	
9¾pc 1998	112	+	112	109	8.70	
Treas 7¼pc 1998‡‡	103	+	103	99	7.03	
7¼pc 1998 A‡‡	103	+	103	99	7.03	
7¼pc 1998 B‡‡	20	+	21	19½	7.03	
Treas 6¾pc 1995-98‡‡	100	+	101	97	6.59	
14pc '98-1	128	+	129½	125	10.93	
Five to Fifteen Years						
Treas 7pc 2001‡‡	19	+	19	17	7.13	
Treas 15½pc '98‡‡	137	+	138	133	11.30	
Exch 12pc 1998	121	+	122	118	9.84	
Treas 9½pc 1999‡‡	112	+	112½	108	8.47	
Exch 12¼pc 1999	123	+	124	120	9.88	
Treas 10½pc 1999	116	+	117	113	8.98	
Conversion 10¼pc 1999	116	+	117	112	8.79	
9pc 2000‡‡	111xd	+	111	108	8.10	
Treas 13pc 2000	130	+	131	125½	9.93	7.23
10pc 2001	116xd	+	116	109	8.61	7.18
9¾pc 2002	116xd	+	115	108	8.41	7.30

BRITISH FUNDS - Cont.

Notes	Price £	+ or -	1993 high	1993 low	Yield Int.	Yield Red.
[illegible]						
Treas 3pc '66 Aft.	37	+	38			
Consols 2½pc	33½	-	33			
Treas. 2½pc	32	—	32			

BRITISH FUNDS - Cont.

Notes	Price £	+ or -	1993 high	1993 low	Yield (1)	Yield (2)
Index-Linked	[illegible]					

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for November 1992: 139.7 and for June 1993: 141.0.

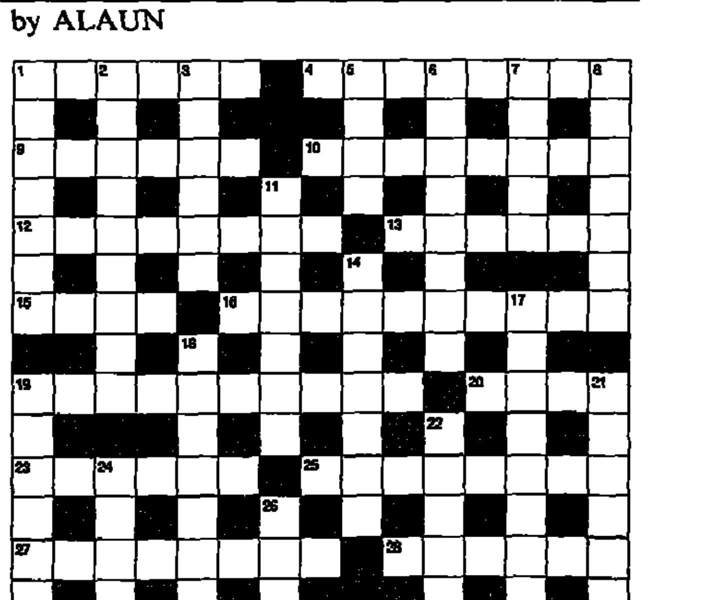
OTHER FIXED INTEREST

Notes	Price £	+ or -	1993 high	1993 low	Int.	Red.
[illegible]						

Continued on next page

CROSSWORD

No.8,221 Set by ALAUN



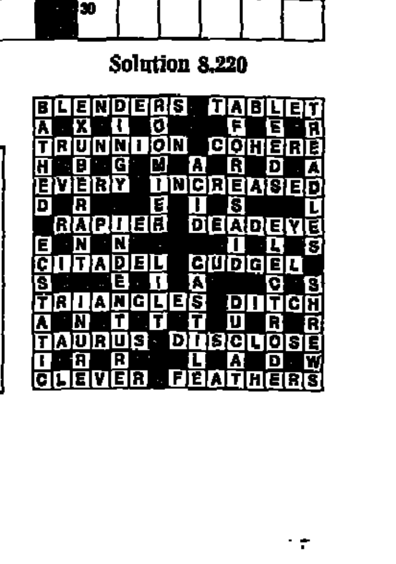
ACROSS

1 Meaning it may be dutiable (6)
4 Promising the listener in music (8)
9 Having the ingredients required to make a dish (6)
10 So that's what you've been up to! (8)
12 As buyer, order in various cruets (8)
13 Was going round, you know, making calls (6)
15 A small wooden frame (4)
16 Not against locks as means of keeping intruders out (10)
19 To start with, regard as a duty (5,5)
20 The governor, proving to be a frost, retired (4)
23 Shy, roll up into a ball again (6)
25 Takes back to the military zones (8)
27 I next put the material in backwards, being clumsy (8)
28 Caught, is liable to scratch (6)
29 Left for dead (8)
30 Now showing is "The Fabulous Greek" (6)

DOWN

1 Crashes that are the devil's doing (7)
2 What the schoolboy said, if you don't mind, to the gentleman! (6,3)
3 First salt is put back on restricted supply (6)
5 Having taken the water cure? (4)
6 I win the game and ring, full of beans (8)
7 Get used to having one standing about (5)
8 Butters up and agrees to work the following Sunday (7)
11 More agitated I dropped the vial taking it away (7)
14 A label saying "repairman"? (7)
17 It gives a temporary suspension of sentence (9)
18 Does she tear on to the street in the nude? (8)
19 Took over to the bank (7)
21 Dries out the quarters and settles in (7)
22 Getting the message, returned the foreign currency (6)
24 Peep out of the cage (5)
26 The proper, not the roundabout, route out (4)

Solution 8,220



JOTTER PAD

EQUITY FUTURES AND OPTIONS TRADING

TECHNICAL trading between the futures and traded options arms of the Liffe was behind a sharp fall in Footsie futures yesterday, *writes Peter John*.

Derivatives dealers said an early exercise of a large number of the August 2,850 and 2,900 FT-SE 100 call options prompted heavy selling of the Footsie future for September.

As a result, September opened 15 down on the previous night's close and traded even lower to hit 2,930, only a few points above the underlying cash market.

When the technical position-taking was out of the way the futures began to regain their lost ground. One analyst said: "It was quite encouraging that September picked up despite the selling pressure and the high level of the market. It still feels quite firm."

September was trading at 2,958 in after hours dealing, comfortably above its estimated fair value premium to cash which is currently priced at around four points. However, turnover was below 10,000 contracts which is considered an average acceptable level.

Volume in traded options was boosted by some active business in Hanson. The conglomerate was the top traded stock option with 4,339 lots dealt and most of the interest represented buying of call options. A bullish trade, it prompted speculation of asset disposals within the company and drove the underlying share price higher.

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or -	1993 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs		16⅝xd	+1/16	20¼	15[illegible]	13,913	2.6
Allegheny & W	♥	641p	—	652p	399p	333.1	2.9
Amdahl		351p	-7	591p	302½p	394.2	0.9
Amer Cyanamid		34⅝	—	38⅝	31¾	3,121	3.0
Amer Express		22⅝xd	+[illegible]	22¼	14⅞	10,888	2.8
Amer T & T		41[illegible]xd	-[illegible]	43¼	33⅛	55,772	2.0
Ameritech		54⅛	+[illegible]	55	45	23,807	4.3
BankAmerica		29[illegible]xd	+[illegible]	30[illegible]	27⅛	10,596	3.0
Bankers NY		51[illegible]xd	+⅛	52⅞	42⅝	4,168	3.8
Bell Atlantic		39¼	-1	40⅝	32¼	16,662	4.4
BellSouth		37¼	-1½	39⅝	32⅞	18,463	4.7
Bethlehem Steel	♥	9[illegible]xd	+[illegible]	13¾	9¼	842.9	-
Bowater		1390pxd	+15	1682p	1287p	491.4	1.9
CPC		27¼xd	+[illegible]	34⅝	26	4,108	3.0
California Engy		1232p	—	1478p	1066p	224.3	-
Chase Manhattan		21⅞xd	+[illegible]	24½	17⅞	3,414	3.5
Chrysler		28[illegible]xd	-[illegible]	32⅝	21¼	8,497	1.3
Citicorp		22¼xd	—	22¼	13[illegible]	8,087	-
Colgate-Palm		33¼xd	-½	45⅝	32[illegible]	6,308	2.7
Cont'l Bank		1599p	—	1877p	1279p	1,615	2.4
Dana		36⅞xd	—	37⅞	29[illegible]	1,693	2.7
Data General		827p	-14	951p	527p	145.4	-
Decora Inds	♥	120p	—	148p	109p	-	-
Dun & Brad		40	+⅛	42½	37⅛	7,129	3.9
Eaton	h	30¼	—	31[illegible]	25[illegible]	2,139	[illegible]

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

MERCHANT BANKS

OIL & GAS - Cont.

PACKAGING, PAPER & PRINTING - Cont.

STORES - Cont.

MINES - Cont.

TELEPHONE NETWORKS

METALS & METAL FORMING

TEXTILES

PROPERTY

MISCELLANEOUS

INVESTMENT COMPANIES

OTHER FINANCIAL

TRANSPORT

WATER

MEDIA

OTHER INDUSTRIALS

SOUTH AFRICANS

MOTORS

STORES

PLANTATIONS

MINES

PACKAGING, PAPER & PRINTING

OIL & GAS

	Notes	Price	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Europa Mnls	N☐	41	....	42	15	19.8	-
Glencar Expl IE	††	11	....	12	6	2.03	-
Greenwich Res	♣☐	15¼	-1¼	22¼	5	12.3	-
Hemlo Gold C$		87½	-⅝	93⅛	£3½	725.7	1.2
Ivernia West IE	††☐	43	....	57	31	21.6	-
Kells Mnls IE	††	12	....	13	6	0.29	-
Kenmare	♣☐	8½	....	13½	6	8.51	-
Malinga Res.		11	-½	25½	10	1.21	-
Navan Res IE	♣	88¼	-6	100	25	16.0	-
5pc Ln Notes		89½	....	94¾	25	15.6	-
Oryx Gold		76⅛	....	76⅛	47	-	-
††Ovoca Res IE		8	+½	8	3½	0.56	-
RTZ	♣N☐	680	-4	709	607	7,024	3.8

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs

- ☐ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- Φ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below
- ☆ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially UK listed; dealings permitted under Rule 535(2)
- ‡ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IIMR 'Headline Earnings' draft proposals.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; dl ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Ring 081 643 7181 (open 24 hours including weekends) or fax 081 770 3822, quoting the code FT3012. (If calling from outside UK, dial +44 81 643 7181 or fax +44 81 770 3822) Reports will be sent the next working day, subject to availability. If faxing please remember to state the weekly changing FT code above and also your post code.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: *Also called issue price. The price at which units are bought by investors.*

BID PRICE: Also called redemption price. *The price at which units are sold back by investors.*

CANCELLATION PRICE: The minimum *redemption price. The maximum spread between* the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the *symbol* alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♠) - 1401 to 1700 hours; (♦) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on *the next valuation. Investors can be given no* definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: *The most recent report and scheme particulars can be obtained free of charge from fund managers.*

Other explanatory notes are contained in the last column of the *FT Managed Funds Service.*

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

INSURANCES

OTHER UK UNIT TRUSTS

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

	Bid Price	Offer Price	+ or -	Yield Gross
Prudential Assurance Co				
Holborn Bars, London EC1N 2NH 071-405 9222				
Managed Aug 4	310.1	323.1	...	-
Prudential Corporate Pension Funds				
5 King's Road, Reading RG1 3AH 0734 494852				
Discretionary Jul 28	1235.23	247.87	+2.58	-
Equity Jul 28	1262.09	271.31	+3.68	-
International Jul 28	138.95	41.05	+0.59	-
Gilt Bond Jul 28	120.72	20.99	+0.17	-
Fixed Int Jul 28	126.60	138.31	-0.55	-
Index Linked Jul 28	132.35	93.89	+0.13	-
Property Jul 28	111.33	117.34	...	-
Cash Jul 28	133.70	33.70	+0.03	-
Pru-Linked Retirement Plan				
Managed Jul 28	346.10	567.80	+5.90	-
Cash Jul 28	305.20	318.00	+0.40	-
Prudential Pensions Investment Account				
Pens Mngd	272.70	239.40	-	-
Pens Mngd A	98.70	105.00	-	-
Pens UK Eq	374.20	403.40	-	-
Pens Intl	284.90	305.50	-	-
Pens Global Eqty	126.00	132.70	-	-
Pens Fixed	289.40	305.80	-	-
Pens Index Lk	236.30	249.30	-	-
Pens Property	90.40	95.20	-	-
Pens Cash	199.40	209.90	-	-
Money Purchase Plan				
Discretionary (z)	129.40	136.80	-	-
Equity (z)	132.60	142.90	-	-
International (z)	131.30	140.10	-	-
Global Equity (z)	131.80	141.50	-	-
Gilt Bond Feb (z)	143.20	150.80	-	-
Fixed Interest (z)	143.50	150.90	-	-
Index Linked (z)	129.60	136.40	-	-
Property Feb (z)	101.20	110.60	-	-
Cash (z)	115.20	120.90	-	-
Prudential Individual Life Funds				
5 King's Road, Reading, RG1 3AH 0734 494852				
Series I Life Funds				
Managed	716.7	754.5	+1.2	-

	Bid Price	Offer Price	+ or -	Yield Gross
Scottish Amicable - Contd.				
Others				
Capital Guarantee Bond	101.4	106.8	+0.10	-
Scottish Equitable Life Assce. Soc.				
28 St Andrew Sq, Edinburgh 031-556 9101				
Mixed	234.3	246.7	+2.0	-
UK Equity	220.8	232.4	+0.8	-
International	236.8	249.3	+1.7	-
American	232.2	249.6	+1.0	-
European	220.0	231.6	+0.9	-
Japan	264.2	287.8	+1.6	-
Pacific	331.5	348.9	+2.3	-
Technology	309.0	325.2	+2.7	-
Fixed Interest	176.3	185.6	+0.5	-
Indexed Linked	157.2	165.6	+0.1	-
Foreign Bond/Currency	223.4	235.2	-	-
Cash	173.535	182.668	+0.020	-
Ethical	119.5	125.8	+0.8	-
Pens Mixed	671.0	706.3	+6.3	-
Pens UK Equity	739.2	778.1	+2.1	-
Pens International	732.5	771.0	+7.7	-
Pens American	239.9	252.6	+1.6	-
Pens European	259.0	268.5	+0.9	-
Pens Japan	307.7	323.9	+2.4	-
Pens Pacific	378.5	398.3	+3.9	-
Pens Fixed Interest	359.6	378.5	+2.9	-
Pens Index Linked	195.0	205.3	+0.1	-
Pens Cash	278.493	291.045	+0.030	-
Pens Property	213.11	224.33	-	-
Pens Ethical	153.3	161.3	+1.3	-
Edinburgh Inv	356.6	375.4	-	0
Baillie Gifford Japan	245.3	258.2	-0.7	-
Scottish Life Investments				
19 St Andrew Square, Edinburgh 031-225 2211				
Property	179.3	188.9	-	-
UK Equity	326.3	343.6	+0.6	-
American	239.1	251.8	+1.6	-
Pacific	327.9	345.2	+3.5	-
European	416.6	438.6	+1.1	-
International	286.0	301.1	+1.7	-
Fixed Interest	237.6	250.5	+1.0	-
Index Linked	193.6	204.1	-0.4	-
Deposit	185.7	195.6	-	-

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

CANADA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

OFFSHORE INSURANCES

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

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JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

French franc falls again

THE French franc, Belgian franc and Danish krone were somewhat softer against the D-Mark yesterday in spite of the policy of all 3 countries to keep their overnight interest rates at very high levels, *writes James Blitz*.

The French franc was trading at around FFr3.4625 against the D-Mark at the start of European trading yesterday. But the franc soon fell back to a low of FFr3.4775 after the Bank of France effectively revealed that its foreign exchange reserves had been severely depleted by intervention in support of the franc in recent weeks.

Economists have calculated that the Bank of France's official net reserves fell by some FFr100.5bn in the week to July 29 using figures issued by the central bank yesterday.

Some analysts said that this would have left the Bank of France with only FFr12.5bn going into Friday July 30, when there was massive intervention to support the franc.

That depletion of reserves would partly explain why the Bank of France allowed the franc to fall through the critical FFr3.4180 level that it had been defending that morning. But it also suggests that the country may have a negative net reserves position, since the figures do not take into account swaps and forward selling of the franc.

The franc closed in London last night at FFr3.469 to the D-Mark from a previous FFr3.466. This was despite an overnight cost of borrowing of around 12 per cent.

The Danish krone also weakened in spite of its 1 month interest rates remaining at 25 per cent. The Danish krone closed at about DKr3.9498 to the D-Mark, having been at the DKr3.9225 at the start of the day. The Belgian franc fell outside its former ERM band against the D-Mark, closing at BFr21.11 just below its old ERM floor of BFr21.09.

The Spanish peseta also fell back yesterday, receiving little support from the government's new plans to rein in the country's budget deficit. The Spanish finance minister, Mr Pedro Solbes, announced that current spending plans next year will be frozen and that spending on social items will rise by 6 per cent, maintaining its relative weight in GDP.

The weakness of the D-Mark due to this high interest rate policy in Europe continued to give some upside to the dollar, which closed at DM1.7165 from a previous DM1.7105

The dollar was partly supported by better than expected jobless claims figures, which showed a decline in US first time jobless claims to 336,000 in the week to July 31 after a revised 396,000 in the prior week.

US June factory orders also improved. They were up 2.6 per cent, the first gain in four months.

However, sterling eased against the D-Mark yesterday, amid some speculation that the UK would cut base rates later in the year. The pound closed at DM2.5600, from a previous close of DM2.5675.

£ IN NEW YORK

Aug 5	Latest	Previous Close
£ Spot	1.4925-1.4935	1.5025 1.5035
1 month	0.36-0.35pm	0.37 0.36pm
3 months	0.98-0.96pm	1.00 0.98pm
12 months	2.68-2.60pm	2.73 2.63pm

Forward premiums and discounts apply to the US dollar

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Aug 5	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator‡
Dutch Guilder	2.19672	2.17484	-1.00	3.63	-
D-Mark	1.94964	1.93359	-0.82	3.45	-
Irish Punt	0.808628	0.803468	-0.64	3.26	4
Belgian Franc	40.2123	40.6540	1.10	1.48	-8
Portuguese Escudo	192.854	195.687	1.47	1.11	-10
Spanish Peseta	154.250	157.375	2.03	0.56	-14
French Franc	6.53883	6.70150	2.49	0.11	-21
Danish Krone	7.43679	7.62990	2.60	0.00	-18

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
‡Indicative values only. Divergence indicators are based on 15% band limitations but do not show the 2.25% band between the Dutch Guilder and D-Mark.

POUND SPOT - FORWARD AGAINST THE POUND

[illegible]

STERLING INDEX

[illegible]

CURRENCY RATES

[illegible]

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

CURRENCY MOVEMENTS

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

OTHER CURRENCIES

[illegible]

EXCHANGE CROSS RATES

[illegible]

FINANCIAL FUTURES AND OPTIONS

[illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls September	Calls December	Calls March	Puts September	Puts December	Puts March
118	3.58	3.28	-	0.01	0.24	-
119	2.57	-	-	0.02	0.40	-
120	1.64	1.76	4.18	0.08	0.68	-
121	0.86	1.20	-	0.23	1.10	-
122	0.33	0.74	-	0.72	1.60	-
Open int	147,641	62,265	21,335	213,508	79,304	14,495

Estimated volume 41,173 † Total Open Interest 538,548
† All Yield & Open Interest figures are for the previous day.

BASE LENDING RATES

	%		%		%
Adam & Company	6	Cyprus Popular Bank	6	Mount Banking	6
Allied Trust Bank	6	Duncan Lawrie	6	NatWestminster	6
AIB Bank	6	Equatorial Bank plc	6	Nykredit Mortgage Bnk	6.5
●Henry Ansbacher	6	Exeter Bank Limited	7	●Rea Brothers	6
B & C Merchant Bank	13	Financial & Gen Bank	7	Roxburghe Bank Ltd	6
Bank of Baroda	6	●Robert Fleming & Co	6	Royal Bk of Scotland	6
Banco Bilbao Vizcaya	6	Girobank	6	●Smith & Williamson Secs	6
Bank of Cyprus	6	●Guinness Mahon	6	Standard Chartered	6
Bank of Ireland	6	Habib Bank AG Zurich	6	TSB	6
Bank of India	6	●Hambros Bank	6	●United Bk of Kuwait	6
Bank of Scotland	6	Heritable & Gen Inv Bk.	6	Unity Trust Bank Plc	6
Barclays Bank	6	●Hill Samuel	6	Western Trust	6
Brit Bk of Mid East	6	C. Hoare & Co	6	Whiteaway Laidlaw	6
●Brown Shipley	6	Hongkong & Shanghai	6	Wimbledon & Sth West	7
CL Bank Nederland	6	Julian Hodge Bank	6	Yorkshire Bank	6
Citibank NA	6	●Leopold Joseph & Sons	6		
City Merchants Bank	6	Lloyds Bank	6		
Clydesdale Bank	6	Meghraj Bank Ltd	6		
The Co-operative Bank	6	McDonnell Douglas Bk.	6		
Coutts & Co	6	Midland Bank	6		
Credit Lyonnais	6				

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKETS

High rates continue

THE central banks of France, Belgium and Denmark continued to keep short term interest rates high yesterday in their bid to preserve their currencies' value against the D-Mark in the newly-relaxed European exchange rate mechanism, *writes James Blitz*.

The French authorities yesterday added FFr28.0bn of liquidity to the French money markets and kept their intervention rate unchanged at 6.75 per cent.

UK clearing bank base lending rate 6 per cent from January 26, 1993

Both moves were seen as a continuation of the policy of keeping monetary policy tight for the time being to manage the French franc's exchange rate. The liquidity injection was tiny compared with the DM38.1bn added by the Bundesbank in its weekly operation on Wednesday. The Belgian and Danish authorities also kept monetary conditions tight in money market trading yesterday.

All these moves had a negative impact on interest rate markets, where there had been a general expectation that monetary policy would be eased everywhere except Germany.

September French franc futures dropped 14 basis points on the day to close at 93.63. The December contract dropped 12 points to close at 93.65. French 3-month money was trading between 11½ per cent and 13 per cent for most of the day, penalising any speculator with leveraged positions against the French franc.

Sterling futures also fell back as dealers continued to be taken aback by European monetary policy.

The September contract dropped 3 basis points on the day to close at 94.23, but December gained 3 to close at 94.68. Dealers clearly think the rate cut probably come between autumn and winter.

Three month sterling interest rates remained unchanged at 5⅞ per cent against the background of a very small shortage in the discount market of £450m. However, there was continued confidence of rate cuts in Germany as call money spent another day hovering below the discount rate level of 6.75 per cent.

So many D-Marks have been pumped into the German banking system in the last fortnight that call money stood yesterday at 6.65 per cent. The September Euromark contract closed at 93.53, up 6 basis points on the day while the December contract was up 5 basis points at 94.12.

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

NOTES – Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. Compounded Annual Rate. Int Cr: Frequency at which interest is credited to the account.

WORLD STOCK MARKETS

CANADA

STANDARD AND POOR'S

Composite ‡	448.54	449.27	450.15	448.13	456.33 (10/3)	439.05 (8/1)	456.33 (10/3/93)	4.40 (1/6/32)
Industrials♥	507.58	508.56	509.45	506.95	524.99 (10/3)	498.48 (25/4)	524.99 (10/3/93)	3.62 (21/6/32)
Financial	46.37	46.23	46.23	45.98	46.67 (13/4)	39.89 (8/1)	46.67 (13/4/93)	8.64 (1/10/74)
NYSE Composite	248.93	249.25	249.53	248.49	251.36 (10/3)	236.21 (8/1)	251.36 (10/3/93)	4.46 (25/4/42)
Amex Mkt. Value	436.42	437.29	437.88	437.00	440.95 (4/8)	395.84 (8/1)	440.95 (4/8/93)	29.31 (9/12/72)
NASDAQ Composite	713.79	709.01	707.86	704.70	713.79 (4/8)	645.87 (26/4)	713.79 (4/8/93)	54.87 (31/10/72)

	Jul 30	Jul 23	Jul 16	year ago (approx.)
Dow Industrial Div. Yield	2.88	2.93	2.95	3.07
	Jul 28	Jul 21	Jul 14	year ago (approx.)
S & P Industrial div. yield	2.59	2.55	2.52	2.68
S & P Ind. P/E ratio	25.06	25.09	25.37	23.50

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
K Mart	5,226,600	21¾	+ 1⅛
Merck	4,074,000	31	- ⅛
Amer Express	2,988,300	34	+ ⅛
RJR Nabisco	2,916,000	5	—
Chrysler	2,196,300	49¼	- ⅝
EMC Corp	2,172,400	27⅞	+ 1⅝
Limited	2,096,700	20¼	- ⅝
Wal-Mart Stores	1,938,600	25½	+ ⅛
Walt Disney	1,915,200	36½	- ⅞
Philip Morris	1,822,800	47	- ½

TRADING ACTIVITY

† Volume (Millions)	Aug 4	Aug 3	Aug 2
New York SE	231.629	254.522	228.891
Amex	22.911	16.370	15.786
NASDAQ	(u)	247.522	224.348
NYSE			
Issues Traded	2,562	2,595	2,588
Rises	973	1,052	1,189
Falls	900	912	776
Unchanged	689	631	623
New Highs	118	140	144
New Lows	28	31	27

**Saturday July 31. Taiwan Weighted Price: 3960.38, Korea Comp Ex: 735.94.
♥ Subject to official recalculation.

TOKYO - Most Active Stocks

Thursday, August 5, 1993

	Stocks Traded	Closing Prices	Change on day
Tokio M&F Ins	3.9m	1,340	+30
Ashikaga Bank	3.9m	1,010	-10
Chiba Bank	3.3m	1,150	-30
Mitsui Mng & Sm	2.8m	552	+4
Sumitomo M&F	2.7m	967	+1
Nippon Steel	2.6m	367	+1
Itochu Corp	2.5m	577	-2
Nippon Express	2.5m	1,050	-20
Cosmo Oil	2.3m	882	
Nikko Sec	2.3m	1,160	-20

4 pm close August 5

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
14⅝	11½	AAR Corp	0.48	3.5	681	212	13⅝	13⅜	13⅝	+⅛
29⅝	13¾	A L Labs A	0.18	1.1	33	2320	16¾	16½	16¾	+¼
64¾	54⅝	AMP Inc	1.60	2.5	22	2585	64⅝	64¼	64⅜	+⅛
72¾	55½	AMR			16	4738	64⅝	62⅞	63⅛	-1⅞
2¾	1¾	ARX			15	147	2½	2⅜	2½	
51½	29⅞	ASA	2.00	4.5	29	2248	46⅛	44¼	44⅜	-2⅜
30¾	22⅝	Abbott Lab	0.68	2.8	15	5492	25	24½	24⅝	-⅜
12⅝	9⅞	Abitibi Pr	0.50	4.8	4	28	10⅜	10⅜	10⅜	
14¼	8¼	Acptncoln			229	17	13¾	13⅜	13¾	+¼
32	25½	ACE Ltd	0.40	1.4		72	29¼	29	29¼	+⅜
12	10¾	ACM Gvt In	0.96	8.3		322	11⅝	11½	11⅝	+⅛
10	9⅛	ACM GvOpp	0.80	8.1		9	9⅞	9⅞	9⅞	-⅛
9⅞	8¾	ACM Gvt Sp x	0.80	8.5		237	9½	9⅜	9⅜	-⅛
11⅝	10½	ACM Gvt Se x	0.96	8.5		239	11¼	11⅛	11¼	+⅛
11⅝	8⅝	ACM Man	1.08	9.4		357	11½	11¼	11½	+⅛
9⅞	8⅝	ACM Managd	0.72	7.9		21	9¼	9⅛	9⅛	
12⅜	7¾	Acme Cleve	0.44	4.0	14	75	10⅞	10¾	10⅞	+⅛
9¼	6½	Acme Elect			254	4	7⅜	7⅜	7⅜	
24⅞	18⅜	Acordia	0.44	1.8	14	45	u24⅞	24⅞	24⅞	+¼
16	10⅜	Acuson			32	376	12¼	11⅝	11⅞	
22¼	19⅝	Adams Expr	0.48	2.4	1	67	20⅜	20¼	20¼	-⅛
66	45½	Adv Micro	3.00	5.2		643	57⅞	57	57⅞	+1¾
32¾	17⅝	Adv Micro P	3.00	11.1	10	13028	27¼	26	27	+1⅛
7¾	5½	Advest Grp	0.16	2.8	10	1063	5⅞	5¾	5¾	
24¾	16½	Advo Inc	0.08	0.5	18	26	16¾	16⅝	16¾	+⅛
49⅜	41⅛	Aegon ADR	2.85	6.4	9	401	46⅛	45	46⅛	+⅜
60	43⅜	Aetna Lf	2.76	4.7	40	1681	58⅝	57¾	58¼	-¼
14½	11½	AffIf A	0.26	1.8	30	1247	u14½	14¼	14¼	-⅛
32¼	26	Aflac	0.40	1.3	15	849	30⅞	30½	30⅞	+⅝
22⅛	16¾	Ahmanson	0.88	4.6	23	1093	19⅞	19⅝	19⅝	-⅛

[illegible]

- B -

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Continued on next page

4 pm close August 5

NYSE COMPOSITE PRICES

Continued from previous page

[illegible]

NASDAQ NATIONAL MARKET

4 pm close August 5

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Datascope		14	700	14½	13¾	14	+¼
DauphinDp	0.80	12	684	25½	24¾	25½	+⅜
Deb Shops	x0.20	19	2	6⅝	6⅜	6½	+⅛
Dekalb En	0.32	111	40	17	16¼	16¾	
Dekalb Ge	0.80	19	14	25	23½	24½	-⅞
Delchamps	x0.44	11	27	23¾	23	23¼	+⅞
Dell Comp		8	12577	20⅞	20	20⅜	+¼
DeltaDSm	0.16	24	1412	21½	19¾	19¾	-1⅜
Dep Gty	0.86	10	16	30½	29¾	29¾	-¾
Devcon	0.20	10	12	7¾	7	7¼	+¼
DH Tech		12	9	14½	14	14	
Dibrell B	0.72	9	497	24½	d23½	23½	-¾
Digi Intl		20	1345	20½	20	20⅛	-⅜
Dig Micro		20	1690	13¾	13	13⅜	+⅜
Dig Sound		10	61	1¾	1½	1½	
Dig Sys		225	10	4¾	4¼	4½	
Dionex Cp		15	430	32	d31¼	31⅜	-⅝
Dove Ym	0.20	14	1531	11½	11	11	-½
DNA Plant		5	604	5	4½	5	+⅜
Dollar Gn	0.20	30	2783	33½	32¼	33¼	
Dom Bkshr	0.44	55	961	u27¼	26⅞	27	
Dorch Htn	0.60	45	118	15½	14¾	14⅞	-⅝
DrescoEngy		21	537	u25¾	25	25	
DressBarn		13	6228	11⅜	10⅝	10⅞	-½
Drey GD	0.24	23	930	27¾	26¾	27	-½
Drug Empo	0.08	33	155	6¾	6½	6¾	
DS Bancor	1.09	8	4	16	15¼	15¼	
Durinon x	0.60	26	62	23¼	22½	22½	-¼

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Price data supplied by Telekurs

[illegible]

AMEX COMPOSITE PRICES

4 pm close August 5

[illegible]

AMERICA

Gold stocks tumble as bullion price declines

Wall Street

US stock markets struggled to make any headway for the third straight day, with share prices trading in a narrow range either side of opening values, *writes Patrick Harverson in New York.*

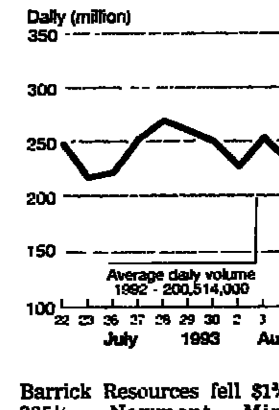
At 1 pm, the Dow Jones Industrial Average was down 6.71 at 3,545.34. The more broadly based Standard & Poor's 500 was down 0.94 at 447.60, while the Amex composite was down 0.64 at 435.78, and the Nasdaq composite, which set a new record on Wednesday, was up a further 1.47 at 715.26. Trading volume on the NYSE was 149m shares by 1 pm.

The inability of the stock markets to break out of three days of directionless trading is due primarily to uncertainty over the passage of President Clinton's first budget through Congress. Yesterday, the House of Representatives was due to vote on the deficit-reduction package, and today the Senate is scheduled to pass its vote.

Although last minute efforts by the Clinton administration appeared, yesterday, to have ensured that the budget would be approved, investors fear that if it falls at the final hurdle, bond prices will drop sharply, triggering a rapid sell-off in the equity markets. Consequently, investors and dealers have been reluctant to commit themselves to the markets over the past few days.

Among individual issues, gold stocks tumbled following a sharp decline in gold prices on world markets. American Barrick Resources fell $1⅜ to $25¼, Newmont Mining dropped $1⅝ to $54¾, Newmont Gold fell $1⅞ to $47¼, Homestake Mining slipped $1⅛ to $19¼ and Battle Mountain Gold gave up $⅝ at $9¼, all in exceptionally heavy trading.

NYSE volume



Delta Air Lines fell $⅞ to $49½ after the big carrier announced sharp cuts in air fares as it fired the latest shot in the long-running price war. Other carriers quickly cut their own fares, leading to heavy selling throughout the sector. AMR, parent of American Airlines, fell $1⅞ to $63⅝, USAir slipped $½ to $16⅝, and UAL dropped $2½ to $142. Quaker Oats climbed $1 to $64¼ after the company announced a 31 per cent rise in second quarter earnings per share, a better improvement than analysts had expected.

Retailers were mixed. JC Penney fell $2¼ to $43⅞ after its same-store sales fell 3.1 per cent last month, while Wal-Mart rose $¼ to $26 on news of higher sales.

On the Nasdaq market, Microsoft climbed $1½ to $74½ after the company said it plans to become a minority investor in multimedia ventures.

Canada

TORONTO kept to weaker levels in quiet trade at midday as the market awaited for the final vote on President Bill Clinton's budget plan today. Gold shares fell after gold futures fell under renewed selling pressure at midday.

The TSE 300 composite index was down 15.0 at 3,973.6 in volume of 29.4m shares. Declines led advances 336 to 271 in turnover of C$325m.

EUROPE

Philips gains 4.8 per cent in Amsterdam

AS the fallout from the ERM crisis begins to clear, a number of brokers have started to set out their thoughts on investment prospects, *writes Our Markets Staff.*

Mr Anthony Thomas of Kleinwort Benson commented in the broker's latest investment handbook that while interest rates outside Germany would fall sharply in the short term "we remain cautious on the outlook for growth as consumer confidence remains very weak in view of widespread fears over unemployment".

The broker recommended overweighting France in relation to Germany: the latter's short-term D-Mark strength and relatively high interest rates will dash "hopes of a near-term recovery in activity".

Merrill Lynch's strategists also followed the interest rate argument, noting that they would continue a shift towards cyclicals.

However, the broker remained cautious about the prospects for German cyclicals: "The competitiveness of German industry is already at a 20-year low...and last week's ERM changes are likely to exacerbate this problem".

AMSTERDAM was occupied with a host of results from Philips, Royal Dutch and Elsevier. The CBS Tendency index ended the day 0.3 higher at 123.1.

Philips satisfied expectations with a 48 per cent gain in second quarter net profit, the shares gaining Fl 1.60 to Fl 34.80, but off the day's high of Fl 35.30.

Royal Dutch disappointed a number of analysts and the shares came off Fl 2.10 to Fl 181.20.

Elsevier, which initially rose strongly after announcing its results, fell back towards the close, the shares ending down Fl 1.10 to Fl 135.70.

KLM was another strong performer, up 50 cents to Fl 34.20.

FRANKFURT took a breather after the last few days, the DAX index edging just 0.14 forward to 1,860.70, having moved between a high of 1,867 and a low of 1,845.

Turnover was DM9.3bn.

Among the movers was Mannesmann, helped by a positive note from Merrill Lynch which recommended a switch out of Preussag. The broker argued that while Preussag had outperformed the sector over the past 18 months, Mannesmann still appeared undervalued on the basis of higher earnings in 1994-95 helped by its efforts to restructure.

Mannesmann added DM5.70 or 1.9 per cent to DM309, and Preussag lost DM1.50 to DM414.

In the car sector Volkswagen gained DM12.50 or 3.5 per cent to DM374 ahead of today's extraordinary board meeting, while BMW was off DM6 at DM546.50, in reaction to lower west German car orders.

MILAN saw renewed speculative buying of banking shares, but this was not enough to contain profit-taking pressure after the market's nine-day run and the Comit index shed 1.37 to 580.47.

However, the underlying mood remained positive and Mr Marco Ortelli of brokers Akros Sim in Milan saw no reason, based on fundamentals, why the market should not rise to the 610 level before it meets further resistance.

In his monthly review, Mr Enrico Ponzone of Kleinwort Benson remained optimistic for the long term.

"After successfully completing the cost of labour negotiations and introducing the long awaited electoral reform, the government is now poised to approve the 1994 budget law. This, together with the latest developments in the ERM, will lead to further rate cuts in the autumn providing the market with further momentum," he said.

Credito Italiano added L168 to L2,766 and BCI was L68 higher at L5,465 following Wednesday's restatement of the government's intention to sell them swiftly.

However, the recently favoured telecommunications sector came under pressure in response to renewed concerns about a delay in the privatisation process. Stet slid L62 to L4,059 while Sip fell L61 to L3,127.

ZURICH was dragged lower by a fall in Nestlé and the SMI index gave up 6.2 to 2,424.5.

Nestlé shed SFr20 to a year's low of SFr1,017 on heavy profit-taking by US investors amid a resurgence of concern about the value of its portfolio of brand names. Analysts have also noted that chart analysis of the share price indicates that the share has the potential for considerable further downward adjustment.

Swissair fell SFr23 to SFr750 on worries ahead of half year results, due today.

PARIS added 13.94 to the CAC-40 index, closing at 2,115.30. Turnover remained healthy at FFr4bn. Goldman Sachs has recently forecast that the index will reach 2,250 in a year, and believes that the market is currently undervalued.

Some profit-taking among individual stocks continued. LVMH lost FFr40 to FFr4,117 after announcing that it had bought Kenzo, the fashion house, for some FFr482m.

St Gobain slipped FFr1 to FFr591 ahead of announcing a fall in first half sales after the close.

STOCKHOLM remained strong, helped by good gains in Astra B, up SKr13 to SKr..., and Ericsson B, up SKr... to SKr354.

The Affärsvärlden index added 22.40 or 1.8 per cent to 1,241.50.

FT-SE Actuaries Share Indices

August 5 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1259.65	1259.78	1263.45	1265.75	1265.33	1267.51	1268.17	1268.56
FT-SE Eurotrack 200	1337.17	1336.60	1340.02	1341.51	1339.16	1340.38	1340.99	1340.80

THE EUROPEAN SERIES

	Aug 4	Aug 3	Aug 2	Jul 30	Jul 29
FT-SE Eurotrack 100	1268.09	1261.48	1252.49	1253.91	1242.42
FT-SE Eurotrack 200	1339.61	1341.55	1347.49	1343.59	1308.99

Base value 1000 (26/10/90) High/day: 100 - 1269.99; 200 - 1342.65 Low/day: 100 - 1258.26 200 - 1333.79.

Conflicting equity signals emanate from Malaysia

The market is at a peak, writes Kieran Cooke

The Kuala Lumpur equity market is putting out conflicting signals. Since the beginning of the year the composite index has surged by more than 22 per cent. On most recent days the market has been reaching new highs, closing yesterday at 785.49.

Yet brokers describe the market as lethargic. "The index might still be going up, but there is not much excitement about," said one.

Brokers are a hard group to satisfy. Earlier this year dealers were complaining of fatigue as frenzied activity took daily trading volume in Kuala Lumpur to levels well above those of Tokyo or New York. On one day in April more than 1bn units valued at nearly M$2.5bn ($1bn) were traded.

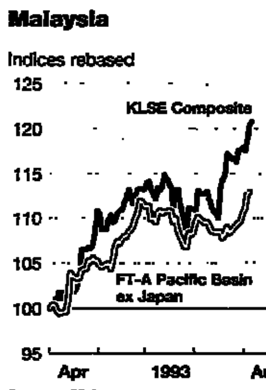
Most of that activity was focused on secondary stocks: rumours of impending government contracts and license awards, for instance, drove some relatively unknown stocks up by as much as 300 per cent.

"That was a real gamblers' market – almost completely rumour driven," said a broker. "Now people have settled down. It is the institutions and foreign funds that are now taking a more measured look at the fundamentals. They are opting for the quality, blue chip stocks."

Most large companies are performing well against the background of continued buoyant economic growth. In each of the past five years Malaysia's GDP has risen by more than 8 per cent. Earlier predictions that growth would slow as the country felt the full effects of recession in its main export markets seem ill-founded: most analysts forecast growth once again above the 8 per cent level this year.

The pattern of market activity, as compared to April, has completely reversed. Then, there were high volumes traded, but there was only a slight rise in the market. Now volumes are low, around an average of little more than 2m shares, but the index has kept on rising.

Malaysia



Source: FT Graphite

A handful of companies account for more than 50 per cent of total market capitalisation. Relatively slim trading in their stocks can quickly change the market's direction.

Tenaga, the partially privatised electricity utility, and Telekom, the telecommunications company, which together account for over 30 per cent of total market capitalisation, have been performing well, trading near or at their highs for the year. Their shares closed yesterday at M$11.10 and M$15.70 respectively.

Banking stocks, led by Maybank, the country's largest financial institution, have been performing particularly well recently. Maybank's full year figures, due soon, are expected to show the kind of growth for which many western bankers would give up their board room chairs: in the six months to December 31 1992 Maybank's pre-tax profits rose by 27 per cent to M$346.53m ($135m).

Gaming-related stocks, long a favourite on the Malaysian market, have also been climbing. Like skilful gamblers, some companies have been playing the China card – letting it be known that they are likely to win substantial gaming licenses in various Chinese cities. As a consequence their stock prices have climbed.

The stock exchange authorities have stepped in to try to separate rumour from reality: some companies have been reprimanded for being less than candid about the exact status of their China projects.

Politics have also been influencing market behaviour. There has been a considerable amount of corporate restructuring over recent months. Analysts say that much of this is due to important elections within the dominant United Malays National Organisation in November.

A closely fought contest is under way for UMNO vice-president, the outcome of which is likely to determine who succeeds Dr Mahathir Mohamad, the prime minister.

Another focus of attention is the 1994 budget, due to be presented to parliament later this year. There are hopes of a reduction in the 34 per cent corporate tax rate and other cuts in personal taxes.

ASIA PACIFIC

Nikkei dips as Hong Kong resumes advance

Tokyo

SHARE prices tended to slip back as most investors waited for the inauguration of the new government, which was delayed by the Liberal Democratic Party's attempt to stall the start of the parliamentary session, *writes Emiko Terazono in Tokyo.*

The Nikkei average lost 71.91 to 20,425.64 in quiet trading. The index rose to the day's high of 20,557.46 in the morning, but retreated on small-lot selling by investment trusts and public funds, setting a low of 20,376.24 in the afternoon.

Volume shrank to 230m shares from 301m. Declines outscored rises by 625 to 330, with 195 issues unchanged. The Topix index of all first section stocks finished 2.00 easier at 2,227.44. In London the ISE/Nikkei 50 index was a slight 0.56 firmer at 1,263.95.

The special parliamentary session to name Mr Morihiro Hosokawa, head of Japan New Party, as prime minister failed to start as scheduled as the LDP and the coalition parties failed to agree on parliamentary procedures. Meanwhile, speculation arose of an imminent cut in the official discount rate, but most investors remained on the sidelines.

Market participants focused on the debut of Taito, a video game maker, on the second section of the Tokyo stock exchange. The public offering price of Taito was a record Y7.27m. A lack of sellers pushed the stock up to a bid price of Y9.2m after an initial trading price of Y9.01m. Investors were encouraged by Taito's projection of a 65 per cent rise in pre-tax profits for the current year to March.

Financials were supported by expectations of a discount rate reduction. Trust banks gained ground, with Sumitomo Trust and Banking adding Y30 at Y1,420, while insurance companies also strengthened, Tokio Marine & Fire appreciating Y30 to Y1,340.

In Osaka, the OSE average receded 121.42 to 22,369.95 in volume of 21.8m shares.

Roundup

STRONG overseas demand helped to drive some Pacific Rim markets ahead.

HONG KONG was sharply higher, powered by a 5 per cent surge in HSBC on strong buying from overseas.

The Hang Seng index finished 143.34, or 2 per cent, ahead at 7,307.54 in heavy turnover of HK$4.7bn.

HSBC's advance of HK$4 to HK$80 followed the profits rise at its Midland Bank subsidiary and a perception that bank earnings are set to rise worldwide as bad debt burdens shrink.

AUSTRALIA was helped by strong overseas buying, particularly among base metal issues and blue chips, and the All Ordinaries index gained 4.1 at 1,865.3, another post-1987 crash high.

Selling of gold shares throughout the day was offset by a host of buy orders, many from overseas, with the large base metal miners winning the most attention.

MIM climbed 13 cents to A$2.40 in volume of 18m shares in response to rumours of a buy order of around A$20m.

NEW ZEALAND forged ahead on news that the government had cut tax for foreign portfolio investors, with shares hitting a 3½-year high at one stage before prices eased back at the close.

The NZSE-40 capital index finished 36.34, or 1.9 per cent, higher at 1,893.87, after a day's peak of 1,913.41. Turnover was a heavy NZ$74m.

TAIWAN ended slightly higher, buoyed by strong speculative demand for paper stocks. The weighted index [illegible] 9.31 at 4,055.52 in active turnover of T$20.29bn.

Heavy buying was seen in Shihlin Paper, which rose [illegible] to T$79.50 on media reports that it would soon start developing a property site which had not been used for years.

SEOUL was encouraged by news that the government would allow investment trust companies to extend the maturity date on the repayment of soft loans to the central bank. The composite index moved forward 12.03 to 732.05.

BOMBAY was closed for the day to enable brokers to settle unmatched trades.

SOUTH AFRICA

GOLD SHARES fell sharply as the bullion price retreated to $386 an ounce. The golds index, after starting the afternoon 66 points off, ended 141, or 7 per cent, down at 1,874. Industrials shed 26 to 4,573 and the overall 72 to 4,059.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY AUGUST 4 1993								TUESDAY AUGUST 3 1993					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1993 High	1993 Low	Year ago (approx)
Australia (69)	144.50	+0.0	142.73	95.73	128.51	139.75	+0.3	3.59	144.44	142.34	95.32	128.04	139.30	144.59	117.39	141.25
Austria (17)	163.54	–0.4	161.53	108.34	145.43	145.12	–0.4	1.34	164.13	161.74	108.32	145.49	145.71	164.13	131.16	153.28
Belgium (42)	148.46	+0.8	146.64	98.34	132.02	131.26	–0.6	4.36	147.35	145.20	97.23	130.61	132.09	156.76	131.19	147.63
Canada (108)	126.97	+0.6	125.41	84.11	112.90	118.42	+0.3	2.84	126.18	124.35	83.27	111.85	118.05	130.38	111.41	127.73
Denmark (33)	220.57	+0.1	217.86	146.12	196.15	202.42	–0.1	1.12	220.30	217.09	145.38	195.28	202.70	225.64	185.11	236.44
Finland (23)	105.90	+1.3	104.60	70.16	94.17	128.40	+0.4	0.94	104.56	103.03	69.00	92.68	127.87	105.90	65.50	72.50
France (97)	158.43	+0.0	156.48	104.94	140.87	147.37	–0.2	3.13	158.45	156.14	104.56	140.44	147.70	167.36	142.72	159.19
Germany (60)	118.34	+0.6	116.89	78.41	105.24	105.24	+0.9	2.02	117.62	115.91	77.63	104.26	104.26	118.34	101.59	119.97
Hong Kong (55)	286.81	–0.7	283.29	190.00	255.07	285.56	–0.7	3.32	288.78	284.57	190.57	255.99	287.46	301.61	218.62	243.99
Ireland (15)	167.00	+0.5	164.95	110.63	148.51	167.00	+0.5	3.30	166.12	163.70	109.62	147.25	166.18	170.40	129.28	159.09
Italy (70)	72.55	+0.8	71.66	48.06	64.52	86.69	+1.0	1.87	71.97	70.92	47.49	63.79	85.81	72.82	53.78	67.07
Japan (470)	158.82	+0.6	156.87	105.21	141.25	105.21	+1.0	0.79	157.93	155.63	104.22	140.01	104.22	158.82	100.75	93.37
Malaysia (69)	361.17	+1.7	356.74	239.25	321.17	355.12	+1.4	1.91	355.09	349.91	234.32	314.75	350.16	361.17	251.66	243.59
Mexico (19)	1624.92	–0.6	1604.99	1076.44	1445.02	5523.45	–0.7	0.89	1634.45	1610.65	1078.62	1448.82	5563.02	1725.81	1410.30	1395.44
Netherland (24)	170.92	–0.7	168.82	113.23	152.00	150.01	–0.4	3.60	172.06	169.55	113.55	152.52	150.58	172.75	150.39	163.48
New Zealand (13)	56.72	+2.1	56.03	37.58	50.44	54.59	+2.3	4.09	55.53	54.73	36.65	49.23	53.39	56.72	40.56	46.43
Norway (22)	159.54	–0.7	157.58	105.69	141.88	159.81	–0.6	1.65	160.59	158.25	105.98	142.36	160.81	166.21	137.71	166.08
Singapore (38)	263.94	+1.3	260.70	174.85	234.71	196.25	+1.3	1.77	260.50	256.71	171.91	230.91	193.81	263.94	207.04	209.15
South Africa (60)	211.86	–0.1	209.26	140.35	188.40	209.08	+0.1	2.45	212.12	209.03	139.98	188.02	208.86	215.29	144.72	205.77
Spain (44)	122.19	+0.3	120.69	80.95	108.66	128.30	+0.0	4.56	121.84	120.06	80.41	108.00	128.35	132.82	115.23	141.50
Sweden (36)	179.53	+0.0	177.33	118.94	159.66	212.49	–0.4	1.59	179.60	176.99	118.53	159.21	213.31	184.06	149.70	190.77
Switzerland (50)	130.37	–0.1	128.77	86.37	115.95	121.76	+0.2	1.78	130.51	128.61	86.13	115.71	121.53	130.51	108.91	111.95
United Kingdom (218)	179.94	–0.3	177.73	119.19	160.00	177.73	+0.0	3.91	180.42	177.79	119.05	159.92	177.79	181.99	162.00	183.49
USA (520)	183.48	–0.1	181.23	121.55	163.17	183.48	–0.1	2.79	183.71	181.03	121.24	162.85	183.71	186.27	175.38	172.86
Europe (751)	149.05	+0.0	147.22	98.74	132.55	143.20	+0.1	3.12	149.05	146.88	98.36	132.12	143.07	149.05	133.92	148.63
Nordic (114)	170.55	+0.1	168.46	112.98	151.67	177.00	–0.2	1.40	170.35	167.87	112.42	151.00	177.49	171.77	142.13	175.80
Pacific Basin (714)	162.13	+0.5	160.14	107.41	144.18	111.91	+0.9	1.05	161.29	158.94	106.44	142.97	110.94	162.13	105.89	100.17
Euro-Pacific (1465)	156.64	+0.3	154.72	103.76	139.29	124.97	+0.6	1.86	156.14	153.87	103.04	138.40	124.26	156.64	117.26	119.77
North America (628)	179.96	–0.1	177.75	119.23	160.06	179.05	–0.1	2.79	180.13	177.51	118.89	159.70	179.24	182.38	171.61	170.03
Europe Ex. UK (533)	129.69	+0.2	128.10	85.93	115.35	123.00	+0.2	2.58	129.45	127.56	85.44	114.77	122.73	129.69	112.51	127.40
Pacific Ex. Japan (244)	195.34	+0.2	192.95	129.43	173.73	179.53	+0.3	3.08	194.94	192.11	128.67	172.82	179.08	195.34	152.70	167.22
World Ex. US (1652)	157.11	+0.3	155.18	104.09	139.72	127.03	+0.5	1.88	156.62	154.34	103.37	138.84	126.35	157.11	118.51	121.77
World Ex. UK (1954)	163.44	+0.2	161.43	108.28	145.36	141.23	+0.3	2.04	163.13	160.75	107.66	144.61	140.77	163.44	134.22	133.76
World Ex. So. Af. (2112)	164.69	+0.2	162.67	109.11	146.47	144.04	+0.3	2.22	164.44	162.05	108.53	145.78	143.62	164.69	137.29	137.65
World Ex. Japan (1702)	170.23	+0.0	168.14	112.78	151.41	166.34	+0.0	2.90	170.31	167.82	112.41	150.99	166.38	170.31	157.47	162.84
The World Index (2172)	164.91	+0.1	162.89	109.25	146.86	144.59	+0.3	2.22	164.67	162.27	105.67	145.97	144.17	164.91	137.32	138.06

Latest prices were unavailable for this edition.